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**Designing Set of Services for Internationalization Strategy with
Multicultural Stakeholders**

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“Design is not just what it looks like and feels like. Design is how it works.” –Steve Jobs

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Abstract

The development of GDP in the Asian emerging markets attracts Portuguese companies to consider Asia as one of their Internationalization targets, including Indonesia. Current data projects Indonesia as one of the seven largest emerging market economies and the country could be larger than UK and France in terms of GDP in 2050.

The problem arisen is how to approach the Indonesian market, considering the cultural barriers that might affect company's decision to internationalize. In this case, SPI as the consulting firm plays the main role and responsibilities to facilitate Portuguese companies to approach the Indonesian market.

Building upon the experiences of SPI in assisting Portuguese companies to Chinese market, this research project analyses the barriers and problems of entering these markets. Building upon this understanding, it designs and develops set of services to be offered by SPI to support companies in entering the Indonesian market. To this end, case study methodology was embedded in a Multilevel Service Design (MSD) approach to understand further companies' needs and requirement to internationalize and translate them into a new service concept.

Besides the practical results, the research project extends service design tools with three new solutions: (1) Customer Value Experience framework for Internationalization experience to capture both companies and service providers' perspectives; (2) Customer Value Constellation revealing the new roles of SPI in collaboration with CCIIP; and (3) additional notation to highlight Multicultural points on Service Experience Blueprint to address cultural differences in service provision.

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1 Introduction

Internationalization strategy is one of the sources of competitive advantage that a company might develop (Sapienza, Autio, George, & Zahra, 2006). Company internationalization has been one of the key corporate strategies being accomplished by companies in order to capitalize its market size and also being the opportunity to get higher return on investments, economies of scale and learning, and location advantages (Hitt, 2006). The growth of economies and technologies in emerging market countries have attracted several companies to consider these emerging markets. Companies target emerging and developing countries despite several barriers and challenges companies will face in emerging markets, i.e. language and cultural differences, economic and political risks, and infrastructure problems (Arnold & Quelch, 1998; Iyer, LaPlaca, & Sharma, 2006)

Indonesia is now being increasingly recognized by major companies alongside the BRICs (Brazil, Russia, India, and China) as part of an emerging market for the next decades (Popp, 2013). One of the leading consultancy companies in the world, Pricewaterhouse Coopers LLP (PwC), projects the potential GDP growth in 17 leading economies until 2050. This projection states seven largest emerging market economies, including Indonesia. As shown in Figure 1, emerging economies such as Indonesia could be larger than UK and France in terms of GDP in 2050 (LLP, 2013). Indonesia is a member of G-20 major economies and classified as a newly industrialized country. Its estimated Gross Domestic Product (GDP) in 2012 was US\$878.04 billion, with an estimated per capita GDP PPP was US\$4271.51 (Economics, 2014a). Indonesia is the world's fourth most populated and the world's largest Moslem population in the world. The population of the country is 234.9 million, with population growth of 1.1% (Economics, 2014b).

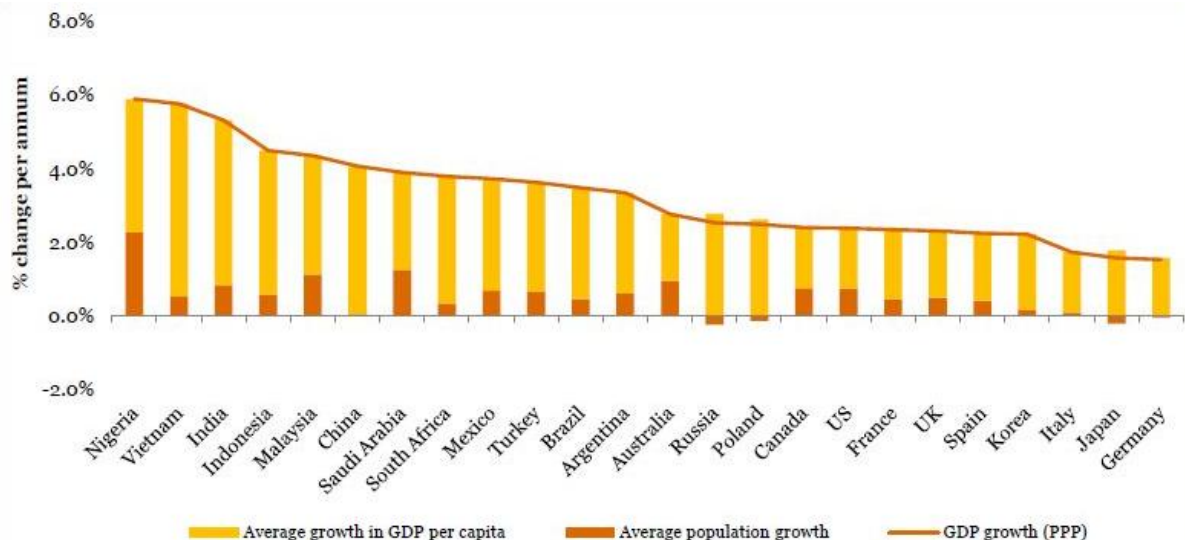


Figure 1 - Breakdown of Components of Average Real Growth in GDP at PPP (2011-2050) (LLP, 2013)

Considering the rapid growth of GDP (see in Figure 1) and increasing number of middle-class customers, Indonesia has become one major destination for Foreign Direct Investment (FDI). The country is in the process of industrialization and change itself from low-income economy into middle-income economy. The government has been opening several new sectors for

foreign investment, which divided into full and partial investments, in order to target the sustainable economic development in Indonesia. The European Union (EU) has formed several bilateral investment and trade relationships with Indonesia, which were formalised by the formation of CEPA (a Comprehensive Economic Partnership Agreement) between both parties in 2009. In the meantime, a EU-Indonesia Chamber of Commerce and Industry (EUROCHAM) was established in the capital city of Indonesia, Jakarta, to support the bilateral investment and trade of European Union in Indonesia.

Although CEPA and EUROCHAM were established in Indonesia, Portugal involvement in the bilateral investment and trade in Indonesia is still lacking in numbers. Portugal ranks 72nd in the list of Indonesian export destination countries (Indonesia, 2014). The chairman of Indonesia-Portugal Chamber of Commerce and Industry (CCIIP- Câmara do Comércio e Indústria Indonésia-Portugal), stated that the Portuguese exports to Indonesia have increased since 2007, with the growing amount of approximately EUR 3.9 million to over 11 million in 2010 (Alexandra, 2012). In the meantime, the ambassador of Portugal in Indonesia mentioned Portugal intention to enhance bilateral trade with Indonesia during the meeting with Indonesian Investment Coordinating Board (BKPM- *Badan Koordinasi Penanaman Modal*) in May 2013 and Portugal has a profound interest to invest in Indonesia (Yulisman, 2013).

Addressing the issue of the lack of investment and trade between Portugal and Indonesia as well as Portugal intention to tap Indonesia for opportunities, a new set of services to support Portuguese companies to enter the Indonesian market were considered important. Sociedade Portuguesa de Inovação (SPI), as one of the leading Portuguese consultants in innovation, was interested in being the main service provider along with CCIIP. Hence, the coordination with Indonesian Ministry, Indonesian Chamber of Commerce and Industry, BKPM, and other supporting organizations was needed in order to maintain the success of the project.

Building upon a service design and development approach to facilitate the internationalization strategy of a company, this thesis proposed new supporting services to be offered by SPI to accompanies entering the Indonesian market. This research project also contributes to designing services to support the internationalization offerings ("The Creation of Service Design Development Processes for SMEs," 2014) and design strategy for co-creation in service design (Yu & Sangiorgi, 2014). To the best of our knowledge, there hasn't been any research on how to develop services that involve co-operation of different multicultural stakeholders. Furthermore, this project addresses the gap of designing and developing new services, involving several multicultural countries with its own characteristics and locals preferences.

1.1 Introduction to Sociedade Portuguesa de Inovação (SPI) and Câmara do Comércio e Indústria Indonésia – Portugal (CCIIP)

Sociedade Portuguesa de Inovação (SPI)

Sociedade Portuguesa de Inovação – Consultadoria Empresarial e Fomento da Inovação, S.A. (SPI) is one of the leading Portuguese consultancy companies in innovation and knowledge-management. It was established in 1997 and joined by Fundação Luso-Americana para o Desenvolvimento (FLAD) to support its business concept. SPI shareholders consist of several companies that are business leaders in each sector.

The company has been growing significantly during these past years. With its head office in Porto, SPI has expanded itself to China, USA, and Spain. Nowadays SPI counts with five businesses namely SPI Portugal, SPI USA, SPI Spain, SPI China, and SPI Venture (SPI, 2013).

SPI services are divided into three business areas, namely SPI consultancy, SPI training, and SPI Research and Development. The SPI consultancy is responsible for providing consultancy assistance to support management of innovation and knowledge, entrepreneurship, internationalization, and strategic studies and plans development. Besides, SPI develops and conducts a range of activities on training for organization within the SPI training area. In the R&D area, SPI takes part on international R&D projects by developing, promoting, and coordinating R&D projects.

SPI aims to enhance the innovativeness and competitiveness of big companies and Small and Medium Enterprises (SMEs) in International markets. SPI has expanded its coverage to emerging countries, such as Brazil and China. The teams responsible for internationalization support and services are mainly divided in two. One team works with the China office to provide support and services for assisting companies entering China and vice versa. The other team works for assisting Portuguese and Spanish companies to internationalize to Brazil. SPI has representatives at SPI China office to enhance the support and services provided. SPI services are mainly focused on offering pre-market entry assistance to the companies, such as partner selection and market research.

Câmara do Comércio e Indústria Indonésia – Portugal (CCIIP)

Câmara do Comércio e Indústria Indonésia – Portugal (CCIIP), also known as Indonesia-Portugal Chamber of Commerce and Industry is a private association that was incorporated under the Portuguese Law on March 29th, 2012, by Public Deed in Lisbon. The intention to form an organization to support the trade and business activities between Portugal and Indonesia had been in mind of several people for a few years. CCIIP was formed based on the initiation of the former Indonesian Ambassador in Portugal who joined these people together and gave the project an important support for the future trade and business relationship between Portugal and Indonesia.

The founding members of CCIIP consist of the chairman (who is also the Honorary Consul of Indonesia in Porto and now the chairman of CCIIP), a number of Portuguese lawyers and businessmen, influential Portuguese people in high position in governance, several Portuguese members of Portugal Indonesia Friendship Committee, and former Portuguese business deputy in Indonesia. CCIIP's main office is located in Porto. It also has a meeting office in Lisbon and a representative office in Jakarta, Indonesia.

In accordance to support trade and business relation between Portugal and Indonesia, CCIIP has the following goals and objectives related with the assistance for companies, i.e.

- To facilitate and promote the development of the commercial, industrial and financial relations between Portugal and Indonesia;
- To foster and support the development and technology exchange between Portugal and Indonesia;
- To represent the interests of the parties involved in the bilateral relations before public and private institutions of both countries;

- To collaborate with private and public entities in all events that have in its scope the enhancement of the ties between Portugal and Indonesia;
- To produce and make available information on the current economic, commercial, financial and technological relations between Portugal and Indonesia;
- To promote the organization of trade missions and the visit of high profile personalities to Indonesia and/or to Portugal,

Based on the main goals and objectives of companies, CCIIP has been providing assistance to mainly Portuguese companies to enter Indonesian market and in reverse, being approached by several Indonesian companies who were interested to enter the Portuguese market. Support and services provided by CCIIP are divided into two main levels, i.e. providing information for companies and assistance in finding potential partners for Portuguese companies. CCIIP provides information for companies through the following support and services:

1. Organizing and participating in Seminars and Conferences in collaborations with the Embassy of Indonesia, BKPM (Indonesia Investment Coordinating Board), and Bank Indonesia (Bank of Indonesia).
The main objective for seminars and conferences is to raise the awareness for the Portuguese companies and to provide basic information about the current business environment and opportunities in Indonesia. The seminars and conferences were also in collaboration with several Portuguese Universities and Public Institutions;
2. Providing information to Portuguese companies about the opportunities in their market sector and prospective business related with the specific sector in Indonesia;
3. Providing information about rules and regulations on how to do business in Indonesia (direct investment, import/export rules and regulations; import barriers and duties; taxes).
4. Organizing trade missions (CCIIP have participated and/or organized trade missions in 2012 and 2013 – we expect to organize at least one trade mission during this year of 2014).

In the meantime, supports and services provided by CCIIP in terms of assisting companies in finding potential partners are being done as follows.

- Assistance in finding prospective partners, importers or exporters (depending on the case) to Portuguese companies;
- Assistance in contacting prospective partners, importers or exporters (depending on the case);

1.2 The Research Project

The thesis project was proposed by SPI after the company considered the increasing number of Portuguese companies who are interested with Indonesia. This project was an initiation project for the next bigger project that will be developed between Indonesia and Portugal. SPI will have the opportunity to be the main service provider for Portuguese companies who are interested in approaching Indonesia. In the meantime, CCIIP who have been previously involved in assisting Portuguese companies to Indonesian market will provide the channels and knowledge they have gained based on their previous experience dealing with Indonesian market. The aim of this thesis project was therefore to develop and test new SPI services that

can be offered to Portuguese companies to support them in possible entry into the Indonesian market.

The project was also derived from SPI previous experiences in providing support and services to Portuguese companies in approaching China. The gathered data from SPI's previous clients who have entered or are in the middle of decision-making process to enter China was used to design services to facilitate companies in their entry to the Indonesian market. Several stakeholders were involved in the project, including SPI's previous clients, CCIIP's previous clients, and Portuguese companies who are currently considering Indonesia for their business.

Considering the small number of companies who have previously approached Indonesia for their business, this research used data from Portuguese companies who approached China. In the period of this thesis project, there were few Portuguese companies who had Indonesia as their business target destination. Those companies had not thought to take further step to invest in Indonesia, but were focusing increasing sales through agents or distribution partners. As a result, the research project focused on a set of services designed for the preparation phase before entering Indonesian market (pre-market entry).

1.3 Research Objectives and Questions

The objectives of this thesis are twofold: **practical** and **research**. The practical objectives are related with developing real world services that will be provided by the company. The main deliverable of this thesis project to SPI was a proposal of a set of services that SPI can offer to Portuguese companies to support them in the development and implementation of plans to enter the Indonesian market.

The research objectives of this thesis project are related with services area by contributing to improve the process of service design in international contexts. More specifically, the project aimed to improve the service design approach on its adaptation for designing and developing set of services for companies' internationalization strategy with multicultural stakeholders.

As a result, several practical-contribution questions were defined:

1. What are the main barriers and problems for Portuguese companies to enter Asian - Indonesia emerging markets?
2. What are the gaps between the current services provided and companies' needs to support their internationalization strategy?
3. Which services can facilitate Portuguese companies to enter Asian emerging market - Indonesia?

Research-contribution questions:

1. How is the process to develop new services for international market with multicultural stakeholders?
2. In which ways will the service design approach differ when it is implemented for an international market as a result of the research?
3. What are the key aspects that should be considered in designing and developing new services for multicultural stakeholders?

1.4 Outline

This thesis report is written in chapters as follows.

Chapter 1 – Introduction

This chapter describes the entire context; background of project contributions to service design, and research project description. The companies that will be involved directly with the project are addressed as well.

Chapter 2 – Literature Review

This chapter includes the theory that supported the development and design of new services as well as theories related with internationalization strategy from the corporate strategy perspective, and the emerging Asian markets.

Chapter 3 – Methodology

This chapter explains the methodology used and the justification and overview of chosen methodologies: service design approach and case study research methodology. It also describes the process of case study research including the case selection, data collection, and the process of service design undertaken in the project.

Chapter 4 – Case Study Results

This chapter defines the analysis of gathered results from data collection. It includes each company's profile, the barriers and problems found, identification of stakeholders and their needs, and comparison between the corporate internationalization strategy concepts with the results.

Chapter 5 – Proposal of Services

This chapter defines the concept of previous and new proposed set of services. The analysis includes the proposed framework of Customer Value Experience for Internationalization of a Company and blueprints for a set of services with multicultural stakeholders.

Chapter 06 – Prototyping

This chapter focuses on the prototype of the services with a storyboard focusing on the multicultural point on the blueprint.

Chapter 7 – Conclusion and Future Work

This chapter consists of conclusion and feedbacks as a result of the thesis project. It also consists of the definition for the future development.

2 Literature Review

2.1 Service Design and Services for Internationalization Strategy

2.1.1 Service Design

There is always misconception on people's mind when talking about services. People barely correlate the term "service" in the same system with products. Unfortunately, innovation in service sectors is practically low even though services are now representing almost the top rank of business sectors (Bitner, Ostrom, & Morgan, 2008).

The area of services has been developing into a sector with the most revenue. One of the main reasons is the development of Information Technology (IT). Shelley Evenson from Carnegie Mellon University stated, "*New technology has enabled internationally tradable services.*" (Evenson). IT accounts for the growth of the service sector especially because of its growing application services. The services itself are embedded on the application and products. Nowadays, there is a recent shift from product innovation into service innovation. Services are increasingly embedded into the product and companies focus on combining them with technologies to create new value and experiences for customers.

(Vargo & Lusch, 2004) defined service as dynamic processes whose value is co-created by related actors within a value constellation. Meanwhile, (Evenson, 2006) defined service as a process that involves understanding users and their context and then transforms this understanding to the development of service interaction and its evidence. When talking about the differences between services and products, it is better to take a look on five distinctive characteristics of services (Fisk, Grove, & John, 2007) as follows.

(1) Intangibility

Unlike products that are tangible and have physical existence, services are merely processes. Services don't have physical existence either although physical evidence determines customers' perception on a service. As a result, service intangibility challenges the thought of how customers will likely evaluate the services before they consume or decide to rent the services.

(2) Simultaneity

Customers consume products after the production has ended. But services are consumed as they are produced. This challenges the quality and value that are provided through services.

(3) Heterogeneity

There are many homogenous factors that affect the service quality and customer satisfaction. Those factors also depend on the interactions between employee and customers during service delivery processes.

(4) Perishability

Services don't have any real form that can be saved in storage, returned, nor resold.

(5) Customer participation in the service process

Companies co-create value with customers. Customers play a critical role in the sustainability and quality of services.

One of the strengths of service research is its interdisciplinary approach. Designers work together with people with different background and skills. Services can be approached within several management fields such as marketing and operations (Kimbell, 2011). (Booms & Bitner, 1981) added three additional P's to the previous marketing mix concept of 4P's to adapt the concept into services marketing mix concept. The additional 3P's are related with designing the service offering. Those 3Ps are *participants*, *physical evidence*, and *process*. The 3P's are important factors in services, which also related with services' characteristic.

Participants are employees and customers who co-create the services in both front-end and back-end environment. Employees are important assets of any company to support its products or services. Excellent employees are the keys to maintain high-level customer satisfaction. Physical evidence is a tangible aspect that represents how the services are represented from outside. It should have been in line with the services or products offering. In the meantime, process is a sequence of activities that are in place to deliver value through direct and indirect activities. Direct activities are activities in the interface to customers (front-end) that are represented by physical environment and service representatives and indirect are the back-end activities that are invisible to customers (Langeard, Bateson, Lovelock, & Eiglier, 1981).

The study of service design has grown alongside the growing service economy in developed countries (Zomerdijk & Voss, 2011). Quoted from (Evenson, 2006), service design is the act of conceiving, planning, and constructing iteratively a framework and its elements into a functional entity called service. Service design is an approach with the collaboration and understanding of all elements such as people, context, service provider, market strategies, and social practices.

New service development is more focused on developing new service offerings while service design is more focused on the process and activities of designing services by using tools and technique to concretize the service concept (Goldstein, Johnston, Duffy, & Rao, 2002). The research also stated that service concept is the whole picture of service that is viewed from the customers' perspective given the complexity of services.

Service design itself is an emerging discipline. It is an area that combines many experts from many backgrounds. Service development and design process starts with defining a set of clear objectives, generating idea, developing the concept, designing services, prototyping, launching the service, and then receiving customers' feedback (Bitner et al., 2008).

There are several methods and tools for Service Design. The tools used so far to help service designers in defining and understanding customer experience such as service blueprint, personas, and use cases (Patricio & Fisk, 2011). This research uses the methodology of Multilevel Services Design that is described in Chapter 3.1.

2.1.2 Services for Internationalization Strategy

Globalization, is affecting the world economy and has increased the opportunity for service internationalization (Hassan & Kaynak, 1994). This opportunity triggers services firm to consider foreign market. Service Internationalization is a broad concept to be examined by

any corporate strategy concept in internationalization, such as FDI (Foreign Direct Investment) concept, stage model of Internationalization, and network theory of internationalization (Coviello & Martin, 1999). References related with Internationalization of services are mostly talking about Internationalization strategies of service firms and the challenges that service firms will face during the internationalization process (Coviello & Martin, 1999; Grönroos, 1999).

Based on these authors, the strategies used by services firm to internationalize can be:

- Direct exports;
Direct export of services works in several additional services such as repair and maintenance services in industrial markets.
- System exports;
System export by doing joint-ventures with two or more firms towards the same objectives and whose solutions complement each other.
- Direct and indirect entry;
Direct entry mode is when the service firms establish local operations in the foreign country market. At the opposite, indirect entry is when the service firms want to avoid establishing local operations by licensing agreement or franchising its services.
- Electronic marketing.
Lastly, electronic-marketing strategies in which service firms don't bind a firm in a particular location.

In addition, (Ball et al., 2008) defined the frameworks for how soft-service firms manage their strategies in association with their entry market forms. The term soft-service firm refer to a firm that has a high need of interaction with customers in the process for taking the order, develop a solution, and communicate the solutions to customers (Ball et al., 2008). In addition, information-transfer flow starts from the order taking activities until the delivery process (Figure 2). (Ball et al., 2008) challenged the assumption of having a physical firm in the host country when a soft-service firm wants to internationalize.

Figure 2 shows the common model of value chain transformation for soft-service firms proposed by (Ball et al., 2008). The value chain consists of five phases: order taking, input information, production, output information, and delivery process. Prior to the characteristic of soft-service firms that require extensive interactions with customers, customers are highly integrated within the value chain.

Order taking is when the soft-service firms bid their service. Input information is when firms gather and generate data from customers to drive the production process. Both order taking and production process need high intensity of interaction with customers. Unlikely those two phases, the next two phases (production process and output information) require little direct interactions with customers. Production process focuses on transforming input information into solutions while output information focuses on transforming output information into solutions to be delivered to customers. The last phase (delivery process) is delivering solutions to customers. This phase requires extensive direct interactions with customers.

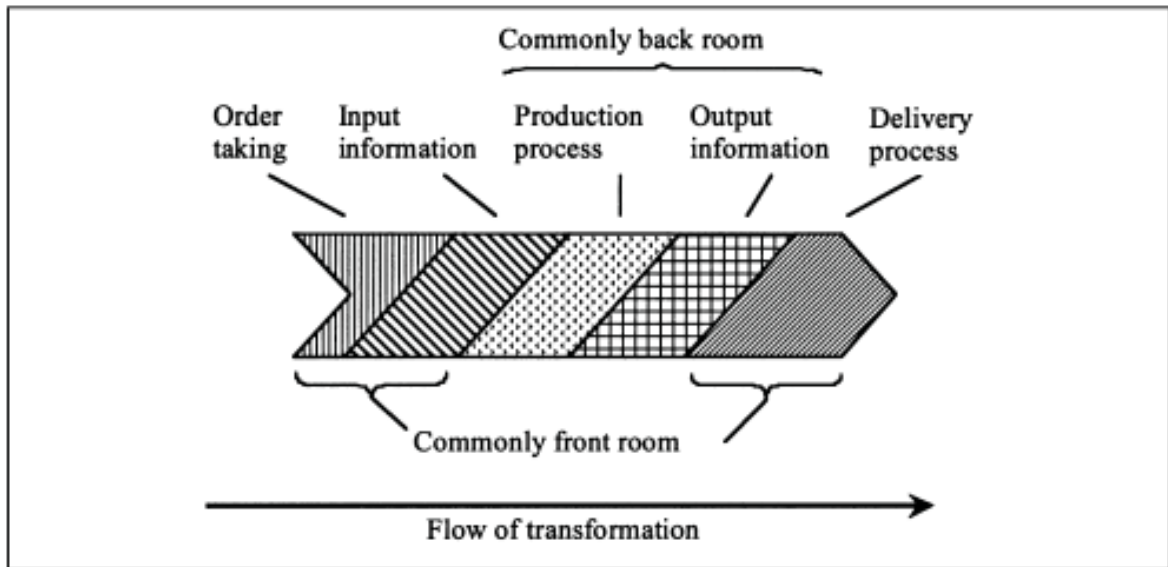


Figure 2 Common Value Transformation for Soft-Service Firms (Ball, Lindsay, & Rose, 2008)

Existing frameworks for international market entry were developed from the perspective of manufacturing companies (Ball et al., 2008). The frameworks are categorized based on the market entry form for soft-service firm; such as embodied object exporting, embodied channel exports firms, embodied people exports, domestically located exports, and using market networks partners, and leveraging the internationalization of home market partners. The use of host market partner and leveraging the internationalization of home market partner strategy are the strategies that use collaboration with local partners in host country. The host market partners can collaborate for delivery and information purposes of full local partner co-operation.

This thesis project contributes specifically in the term of designing services to facilitate internationalization strategy of companies, either for a manufacturing company or a service company. Internationalization strategy for service companies might have more constraints because many references correlate internationalization strategy into manufacturing companies (Ball et al., 2008).

2.2 Internationalization Strategy

The term internationalization stands for company's business and economic activities expansion in terms of geography over a nation's borders (Ruzzier, Hisrich, & Antoncic, 2006). Another definition states that internationalization is the process of increasing international operations (Welch & Loustarinen, 1988).

Firms start facing the opportunity offered by the global market. Internationalization is part of the firms to develop their core competences by diversifying into global market. Common reasons why companies decide to go international are diversification and business expansion (Twarowska & Kakol, 2013). International strategy is the strategy of a firm to sell its products or services outside its domestic market. The advantage for internationalization strategy is also as the resource for strategic competitiveness: to extend products life cycle, provide more innovations, and produce above average returns (Hitt, 2006). Internationalization strategy is in line with companies' performance. If a company realizes the advantage of

internationalization, the strategy formed should enhance the performance of a company (Hitt, Bierman, Uhlenbruck, & Shimizu, 2005).

In the other hand, internationalization exposes risks and challenges for company's survival as they face challenges to create new routines and adapt some of their existing routines (Sapienza et al., 2006). For example, company needs to recruit new talents or establish new partnerships. These challenges require a considerable amount of investment. Current research found two-factor categories that might affect companies' survival rates in internationalization: internal processes to coordinate the activities within company and external process to develop market-related capabilities and develop relationship with other organizations (Sapienza et al., 2006). But as time passes by and company gains more trial-and-error learning, the cost tends to decrease and companies gain domain expertise in entry-mode strategies (Vermeulen & Barkema, 2001). New activities have been developed; fewer resources are acquired, and less shock compared to the initiation phase of internationalization.

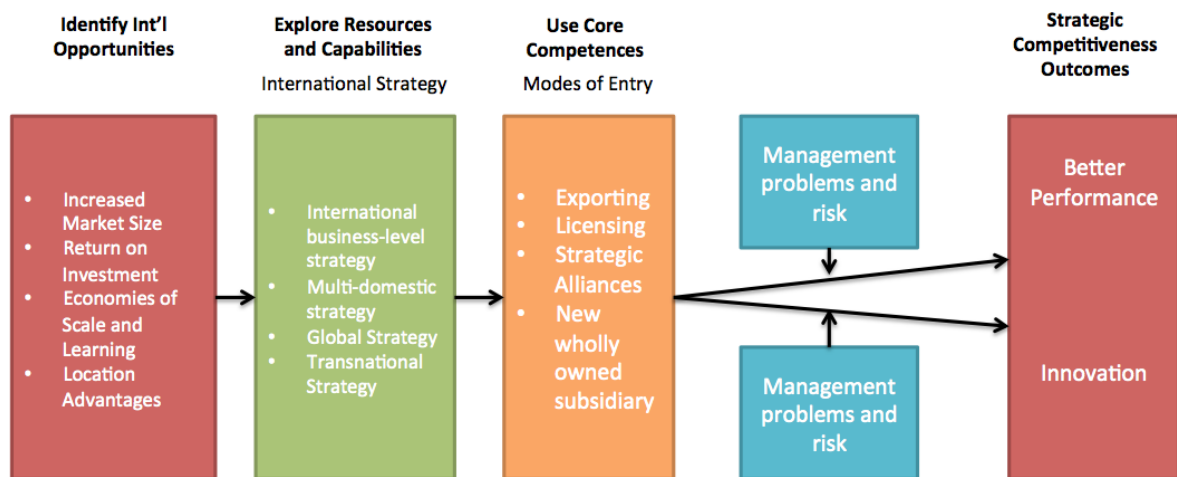


Figure 3 Opportunities and Outcomes of Int'l Strategy (Hitt, 2006)

(Hitt, 2006) modelled the sequence of Internationalization strategy of a company starting from how the company identifies International opportunities, explores company's resources and capabilities, uses Internationalization as their core competences, and lastly, the expected outcomes from Internationalization strategy (Figure 3). The model divides opportunities in International market into four categories, namely increased market size, return on investment, economies of scale and learning, and location advantages.

Increased Market Size: Some developing countries offer a new opportunity in term of increasing demand and high population. Prior to the increasing demand, the challenge of foreign competitors is increasing as well. Another motivation is that domestic market might lack of size to support manufacturing process. In addition, foreign competitors targets specific countries and innovate to meet its increasing demand and trend. The globalization effects made the demand seem to be similar. The borderless demand for global brand products maybe due to similarities in developing countries (Hitt, 2006).

Return on Investment: Each foreign market's entry strategies has different risks, required resources, and return on investment they promise (Twarowska & Kakol, 2013). The main

reason why companies approach international market is to generate above-average returns on investments.

Economies of Scale: Cost reduction to increase the economic of scale drives the global demand. The other reason is resources, such as labour and raw materials. Companies have the pressure for cost reduction. Several companies use the labour forces in other countries with low salary to produce firms' goods and increase profit per unit. Several firms' motives are to get raw materials such as mineral and energy where the firm's origin country doesn't have them.

Location Advantages: Host country location could give advantages in giving access to lower-cost labour, critical resources, and key customers (Hitt, 2006). Low cost manufacturing might affect in developing companies' competitive advantages. Companies have to respond and innovate their services or products based on the local, national, and regional preferences especially when customization of products or services is needed in order to overcome the cultural differences or effective marketing to persuade customers to try different products. In other hands, companies have the pressure to be responsive to locals' condition.

After seeing the international market opportunities, companies have to research and explore its core competences based on its resources and capabilities in order to strategize its competitive advantages. There are two basic types on international strategies: business-level international strategy and corporate-level international strategy (Hitt, 2006). Each strategy should support company's value through its implementation.

Once the company has decided to go international, they have to define their strategy and the modes of entry. There are four modes of entry that are described by (Hitt, 2006).

- a) Exporting: exporting goods from domestic-based operational partners
- b) Licensing: Licensing some of its products or services.
- c) Joint Venture: Forming joint ventures with International partners in host country. The partnership is formed between two companies and usually results in forming the third company (Twarowska & Kakol, 2013).
- d) Acquisition: Acquiring foreign-based firms.

As seen on Figure 3, the intended outcomes for internationalizing their business are better performance and innovation. Companies diversify its geographical portfolio by expanding their sales across the border to broader geographical locations or markets. This might increase companies' positive stock returns, and companies might also gain economies of scale and more experiences regarding local markets in host country, increase market size, and the opportunity to stabilize returns (Hitt, 2006). Internationalization leads to innovation by having companies' exposure to new products and processes that able to generate knowledge leading to innovations and resources for investment in innovation.

2.3 The Emerging Asian Markets

Nowadays, the Asian economics outshines the Western economics. Strong economics in Asia such as Japan, China, South Korea, and Singapore are economically outperforming the United States and Western Europe. Few economists forecast the rising of Southeast Asian countries' economic (Hofstede & Bond, 1988).

Currency fluctuations has triggered companies to consider large-scale, emerging markets, such as China and India because of their high potential demand prior to their high number of population. Emerging markets bring both opportunities and challenges. The World Bank projects East Asia and Pacific region growth development to be slow but in sustainable level. The growth output expands at 7.2% in 2013, slightly down from 7.4% in 2012 ("Global Economic Prospects: East Asia and the Pacific," 2014).

The different perspectives between Asian and the Western countries pose challenges to Western competitive paradigms to face and manage financial, economic, and political risks (Hitt, 2006). Financial bumping in the United States and slowdown in China economic affected the overall economic of East Asia countries and the Pacific ("Global Economic Prospects: East Asia and the Pacific," 2014)

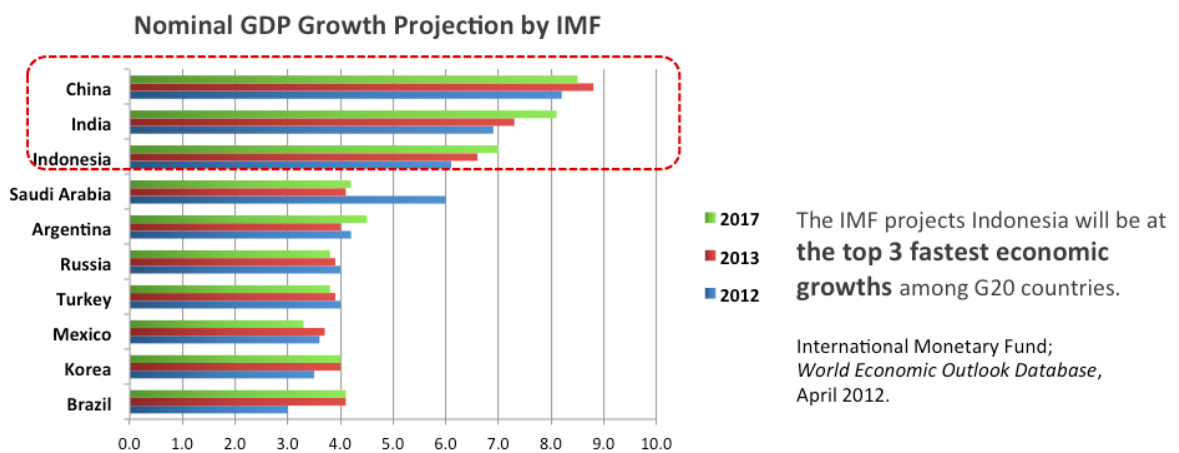


Figure 4 GDP Growth Projection by IMF (BKPM, 2014)

The population of China and Indonesia, alongside with Brazil, India, China and Russia, is about 45 % the world's population and represented about 15% of the world's GDP in 2009 (Aguilar et al., 2010). China and Indonesia are two of the emerging Asian countries with rapid economic growth. China GDP grew by the number of 7.7% in 2013 with no difference than its previous year in 2012. Although the GDP seems slightly stable in China, different cases are slightly slower in another ASEAN countries such as Indonesia and Malaysia ("Global Economic Prospects: East Asia and the Pacific," 2014). Nevertheless, International Monetary Fund has projected that both China and Indonesia will be at the top 3 countries with fastest economic growth alongside with India, in comparison with other G20 countries (Figure 4).

Indonesia economic strength relies on its diverse natural resources (agriculture, energy, and mining), low labour costs, tourism, domestic market, and a stronger banking sector. At the opposite, the country has low investment rate, lack of infrastructure, corruption and lack of transparency system, unemployment rate and poverty, and its dependency on raw material exports from China ("Economic Studies: Indonesia," 2014).

In the meantime, China strength accounts from its competition and diversification in industry and its infrastructure development. China weaknesses are its aging population and decreasing number of low-cost labour and banks' weakness ("Economic Studies: China," 2014).

(Hofstede & Bond, 1988) claimed that culture play an important role in the rise of Asian economic rise, but the culture alone is not sufficient enough for such growth to occur. The Western companies face challenges in culture when they approach the Eastern companies (Hofstede & Bond, 1988).

If viewed from the culture characteristic perspective, China and Indonesia are two countries in Asia with diverse culture and huge population. The Chinese ethnic controls more than 500 largest public corporations in Southeast Asia. Chinese expansion reached Indonesia in the past ("Indochinese Refugee Education Guides : Background Information on the Ethnic Chinese Refugees ", 1980) that caused several influences of the Chinese culture in Indonesia, which cannot be denied that it might affect the similar way to do business in Indonesia. The population of Chinese ethnic itself is 0.83% of Indonesian population (Hasbullah, 2012). Chinese ethnic might take only a small percentage in the total population, but many Indonesian business people are Chinese ethnic and they still have strong family connections in China (Katz, 2007).

Based on the Chinese capitalism influences, (Crawford, 2000) stated the significant business networks cooperation for successful firm operating in Southeast Asia are credibility and trust. Building a business relationship with the local entities requires a long-term perspective and commitment (Katz, 2007). (Crawford, 2000) explained how cultural aspects underpin the modern globalization. It mentioned that to survive and grab the Chinese and Southeast Asian market successfully, foreign companies have to depend a lot on local partners.

China and Indonesia, which is part of Southeast Asia countries, share similar ethical habits, norms, and understandings that affect the countries' business and economic operation. There are several skills and knowledge needed to succeed in the market; i.e. knowledge of the unspoken and unwritten rules of business in the cultural context, ethical habits, and business networks and patterns (Crawford, 2000).

2.3.1 The Indonesian Market

Indonesia is the largest country in South East Asia with a sprawling archipelago of around 1.9 million kilometres. It is ranked 4th as the largest country in the world. The population itself considered as a big number with the number of 246 million people ("Global Economic Prospects: East Asia and the Pacific," 2014) not to mention its rapidly growing middle class. The country itself has a large domestic market to offer considering its growing number of middle class with 53% of the population live in urban places and adapting themselves into global market (BKPM, 2014). Indonesian population is being aligned with the population of BRICs (Brazil, Russia, India, and China). BRICs are known as emerging market countries that have huge potentials in the global economics for the next decades (Popp, 2013).

Indonesia's well-balanced economy in recent years has been recording solid rates of growth, averaging over 6.5% and predicted to accelerate over the coming five years. Rising investment and industrial expansion drives this increasing number. Foreign investment is growing rapidly in Indonesia. Indonesian policy makers who are focusing on boosting the country's economic growth are also supporting the economic conditions (Popp, 2013)

Table 1 Indonesia in Figures (Economist, 2013)

Indonesia	
Capital City	Jakarta
Income Level	Lower Middle Income
GDP growth	5.4%
GDP per head	\$3,790 (PPP: \$5,470)

The high and increasing number of middle-class and rapid growth of credit make the demand in Indonesia remains lively despite its monetary policy tightening. Indonesia has plenty of natural resources that are being targeted mainly by international companies but the exports of raw material were hit by competition with China because of falling price and lower demand ("Economic Studies: Indonesia," 2014).

One of the main factors that might affect Indonesian economy is this year's presidential election. The election marks the 5-year period of political and the legislative election took place on April 9th 2014 and presidential election on July 9th. The two candidates were strong and caused quite a stir in the country itself. A new president, Mr. Joko Widodo, has been elected but the controversy hasn't stopped until here. Mr. Joko Widodo was previously the mayor of Surakarta and governor of DKI Jakarta but hasn't finished his five-year contract as a governor. Investors putting on their hope on the outcome of presidential election ("Economic Studies: Indonesia," 2014).

2.3.1.1 Doing Business in Indonesia

The Indonesian government released a Master Plan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI) for the period 2011-2025. The master plan is intended to facilitate investment distribution in Indonesia evenly and also for the goals of high economic growth inclusively and sustainably. To achieve the target goals, there are six designated economic corridors within the MP3EI - which mostly addressed for the infrastructure development in Indonesia and as the centre of growth in the region by developing industrial cluster based on resource. Resource-based in terms of commodity or sector. The rest are expected to come from private sectors and state-owned companies ("Foreign Investment and Company Establishment: Indonesia," 2014).

The driver of this economic corridor will mainly focus on the island of Java. Industries that will be developed are as follows.

1. Textile Industry in Majalengka, West Java and Semarang, Central Java;
2. Automotive and Machinery Industry in Jakarta – Cikampek;
3. Food and Beverage Industry in Jakarta, West Java, Central Java, and East Java;
4. Industrial Electronics and Telematics in Jakarta - Bandung, Solo and Salatiga (Central Java), and Surabaya, East Java;
5. And Shipping Industry in Lamongan, East Java.

When the company wants to sell its products to Indonesia, the easiest procedure is through an agent or distribution agreement with Indonesian companies. Another option is establishing a

representative office. The establishment of a Representative Office depends on a company's line of business and its necessary licenses, which are issued by the related government department. Thus, it is forbidden to undertake business transactions or receive sales payments in Indonesia within a representative office.

Common case is that foreign investors set up an agency agreement or a representative office at the beginning of their entrance to Indonesia. Later on after their business starts to grow, they will go through the overall process to change their status to be a Foreign Direct Investment company (FDI). Then the company can process its status to be a full-pledged PT (*Perseroan Terbatas* or as known as Limited Liability Company). Hence, several companies often go directly to establish themselves to be a PT ("Foreign Investment and Company Establishment: Indonesia," 2014).

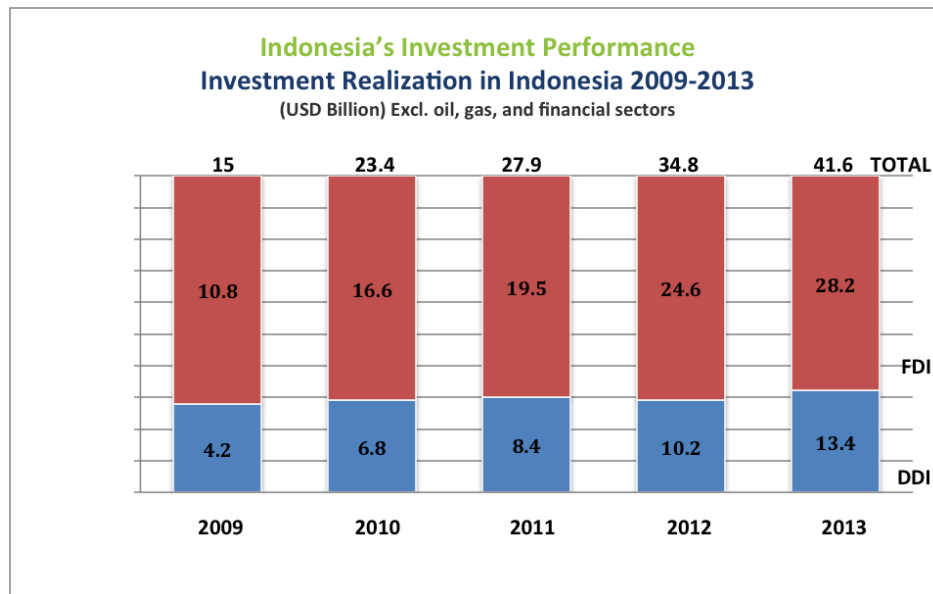


Figure 5 Indonesia Investment Performance (BKPM, 2014)

The World Bank ranks Indonesia on the 120th place out of 189 countries in the ease of doing business in the year of 2014. The ranking is lower than Indonesian previous rank of 116th in 2013. The indicators for evaluation are the number of procedures to register a company, time (days), cost (percentage of income per capita), and paid-in minimal capital (percentage of income per capita). Furthermore, the procedures, cost, and the associated time to complete are being considered by investors and might be one of the barriers and problems they face in approaching Indonesia.

When doing business in Indonesia, the most important thing that should be kept in mind is that the way to do the business negotiation and how to build and gain the Indonesian entities' trust and respect (Katz, 2007). Lothar Katz on his book titled "Negotiating International Business: the Negotiator's Reference Guide to 50 Countries Around the World" highlights several points when negotiating business with Indonesians, as follows:

1. Indonesians tend to expect things to be done in their way.
2. Every relationship in Indonesia (including business relationship) is based on familiarity, respect, and personal trust. It takes a long time to establish the relationship

- and gaining their personal trust and respect. Respect level in Indonesia depends on his or her status, rank, and age.
3. It is highly advisable to use a local intermediary when initiating business negotiations in Indonesia. This local intermediary will bridge the cultural and communication gap for the effectiveness of negotiations.
 4. It is not advisable to change the project team member because the difficulty to establish relationship and gaining trust and respect. In Indonesia, business relationship exists between people not company. Therefore, it is highly advisable to not change the company's interfaces.
 5. Reputation and “saving face” is an important thing in Indonesia. People have to remain in control and friendly at all times. When negotiating a business, it is important to not bring up an unpleasant topic with an Indonesian in public. In addition, messages and conversations should be maintained in a respectful way.

INDONESIAN

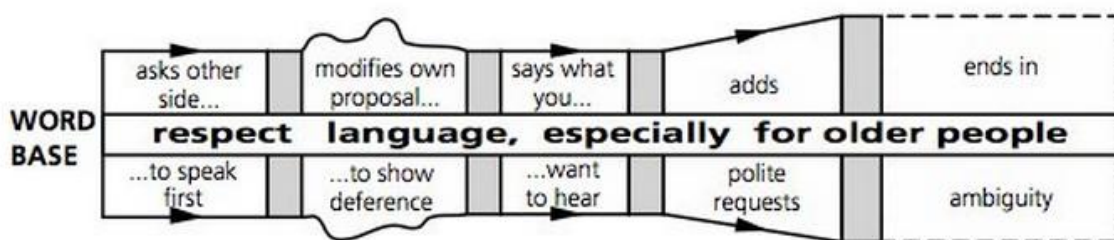


Figure 6 Communication Pattern of Indonesian (Lewis, 2006)

Since reputation and “saving face” is very important in Indonesia, sometimes negotiations lead to the point of ambiguity because they don’t directly say “no”. The people tend to be very polite and expect to do business with others who act like them. Figure 6 shows the communication pattern of Indonesian. Respective and polite language is an important point when communicating with Indonesians, especially for older people. It is important to politely ask the Indonesian business partner how we should address them (Lewis, 2006).

2.3.1.2 BKPM – Indonesian Investment Coordinating Board

BKPM (*Badan Koordinasi Penanaman Modal* - Indonesian Investment Coordinating Board) is the main government organization that is being responsible for the investment process. Any licensing requirements to set up a representative office, FDI, or PT have to get through BKPM.

BKPM defines the investment procedure into three stages, namely preparation, setting up, and ready for production or operation. Companies who intend to invest in Indonesia should follow the stages in sequence following Indonesian laws and regulations. Preparation stage is a stage to establish Indonesian legal entity to conduct investment activities in Indonesia. Construction

is a stage to prepare the facilities, infrastructures and licensing/non-licensing arrangements for investment. The latest stage is the final stage to get business license for companies to be ready to conduct their production or operational activities in Indonesia.



Figure 7 BKPM's One Stop Service Scheme

In addition to increase the bureaucratic process and increase the quality of their investor services, BKPM launched an additional service namely One-Stop-Service (OSS) for investment and an electronic automation platform for investment licenses and non-licensing services (NSWi). The OSS includes an e-platform service to track company's licensing process namely SPIPISE. The ability to keep track of company's licensing process means lending a transparency for investors and for increasing the services' reliability. BKPM has made several improvements of their services to demystify the fact of long and complex bureaucratic procedures in doing business in Indonesia. Through the OSS, BKPM reduces the number of procedures and documents needed. OSS also bypasses the needs of company's to come directly and physically to BKPM offices in Jakarta to apply certain things.

The screenshot shows the SPIPISE Tracking System interface. At the top, it displays the logo and name "SPIPISE Sistem Pelayanan Informasi dan Perizinan Investasi Secara Elektronik" alongside the BKPM logo. Below this, a header reads "TRACKING SYSTEM BKPM".

The main instruction states: "To find out progress of application submitted enter the application number listed on your application receipt into the fields below then press the Proses button. (Example : IP123 / IU123 / PA123 / TA001)".

The interface includes a text input field labeled "Application Number" and a button labeled "Proses".

Figure 8 SPIPISE, an e-platform tracking system

3 Methodology

3.1 Service Design Approach and Case Study Research Methodology

The term meaning of designing a service is not only designing *what* kind of services, but also *how* to design a service. This triggers the thought that service design is a human-centred and an iterative process (Patricío & Fisk, 2011). Human-centred approach has been mentioned by several references as an approach to drive innovations (Brown, 2008). By adopting the thoughts of human-centred approach, service design is mainly related with understanding customers, related stakeholders, and their contexts. Service design adapts the design thinking approach by implementing design approach to service design. Designers are brought together to implement services and include processes and people to create engaging and human-centred services (Lin, Hughes, Katica, Dining-Zuber, & Pisek, 2011).

In other reference, (Brown, 2008) mentioned that the design thinking approach is a space working within three spaces iteratively namely: (1) Inspiration, (2) Ideation, and (3) Implementation. There are several activities related with each other in order to bring out the innovation through the three spaces in design approach (Figure 9).

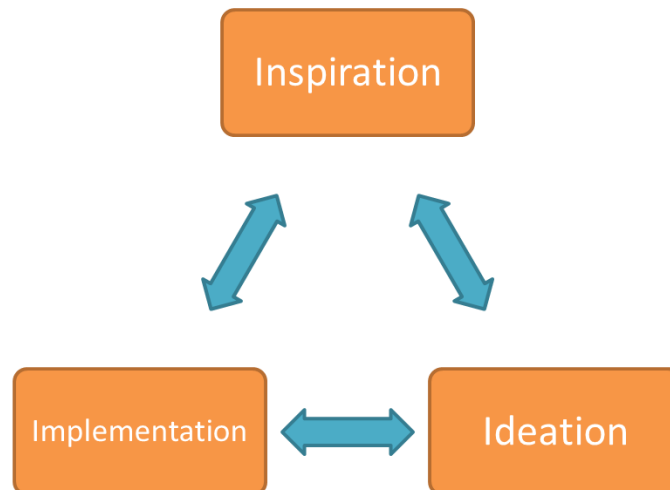


Figure 9 Design Thinking Approach (Brown, 2008)

The first space, namely Inspiration, is the process to understand and deeply dig the context of customers' experiences and what triggers the finding of solutions. Ideation, the second space, is the process of creating, generating, developing, and testing the ideas. Ideas are gathered with several methodologies such as brainstorming and then being analysed further to know if the ideas could be solutions. Prototyping and testing the prototype are also being done during ideation space. The third space, Implementation, is implementing the developed solutions to the market. The first two spaces are mainly being repeated more after the implementation of solutions to the market.

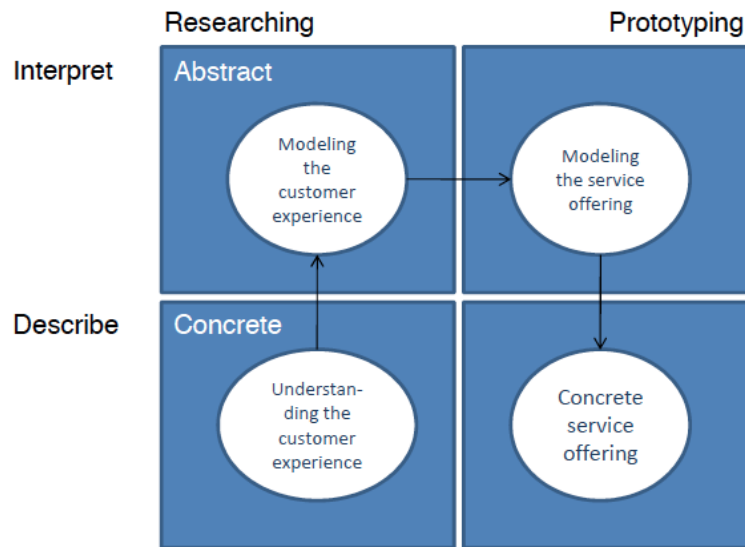


Figure 10 Services Modelling (Patricio et al 2009)

(Evenson & Dubberly, 2010) stated that commonly the design process is divided into two phases; i.e. analysis and synthesis phase. Problem arisen because of the lack of connection between those two phases. The project uses the methodology proposed by (Evenson & Dubberly, 2010) as the starting point with the combination of Multilevel Services Design (MSD) proposed by (Patricio et al., 2011). Figure 10 shows the transition from analysis to synthesis that was adapted from the model proposed by (Evenson & Dubberly, 2010).

In the era of technology and the more demanding customers nowadays, complex services are the new challenges for companies to provide better values for their customers. A new approach is needed to bridge a company and its customers for value co-creation and in the same time, integrate service design process with related service encounters (Patricio et al., 2011). Multilevel Service Design (MSD) is an approach that is being used to design complex service systems. This approach helps designing a service through three different levels of customer experience.

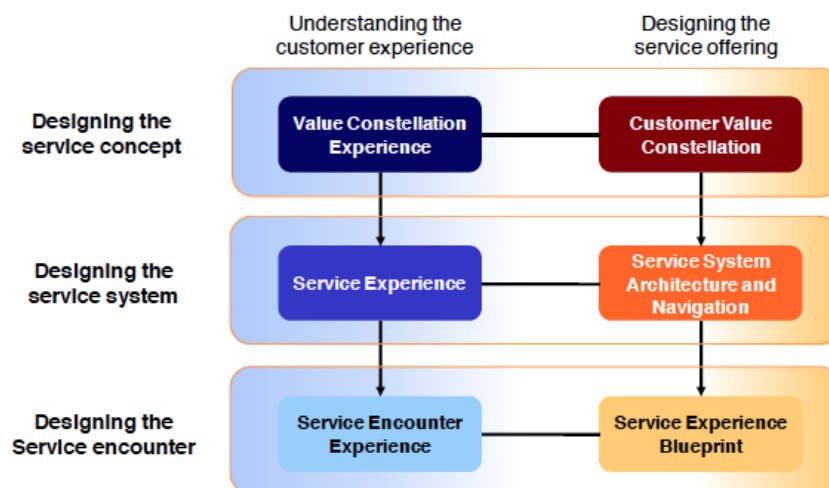


Figure 11 General Model of Multilevel Services Design (Patricio, Fisk, Cunha, & Constantine, 2011)

After gathering information from customers through data collection techniques, the service designer models the service and prototype the proposed service. As shown on Figure 11, MSD is used in understanding the customer experience (inspiration space) and designing the service offering (ideation space). MSD starts with designing the service concepts. This “abstract level” includes analysing and understanding the company’s value constellation (broader context) and the positioning of each related customer activity.

Secondly, MSD takes designers into more concrete level, which is designing the company’s service system. Designing a service system is being done through two tools, i.e. Service System Architecture (SSA) and Service System Navigation (SSN). SSA defines the relationship for each activity and its related actor and service encounter. In the meantime, SSN describes the whole flow of processes. The last level in MSD is designing the service encounter. This level is the most concrete and detailed level because designers start describing the flow of actions for a specific task and at the same time, shows the interaction between actors and service encounters by using Service Experience Blueprint (SEB). By doing this level, it is possible to analyse possible problems that might arise and designers can either redesign that service or propose a new service.

MSD brings service designers to look at a broader and global context first before breaking down into more concrete and detailed customer experience. This is done because this broader approach can make service designers find a new idea of new possible service. One example that was mentioned in (Patricío et al., 2011): the new service in multi-interface European retails. On its previous service concept positioning, home grocery is related with home delivery service, online service, and large stores. After defining all of the relationship of activities and the different offerings, designers found out that customers have problems in controlling groceries. This triggered idea of making a new service: grocery management support service and even a drive-through delivery service.

If we see through the whole levels of MSD, it seems to be very challenging to define which activities are really related in the value constellation level. Once a designer finds the problem and then the designer proposes a new idea for service, they should take into account stakeholders’ objectives. The intention of stakeholders might limit the service designer team but in the other hand, stakeholders are main customers as well.

In the meantime, when choosing a research method, a researcher has to consider three conditions such as (a) the type of research questions; (b) how researcher will control actual behavioural events; and (c) needed focus on contemporary events. Case study is a preferred methodology for a research when several condition occur such as (Yin, 2005):

- a. “How” and “Why” questions are being posed;
- b. The investigators has little control over events;
- c. The focus is on a contemporary phenomenon within a real-life context.

Case study research method has been used as a common research preference in the topic of psychology, economic, political science, anthropology, and other social studies that need further in-depth investigation. The need of further in-depth investigation is triggered by the intention to understand complex social phenomenon. Case study allows researchers to investigate the holistic view of a real-life phenomenon.

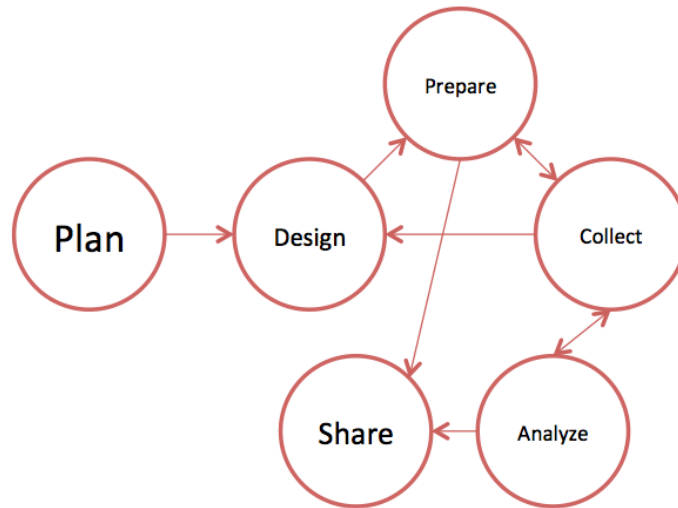


Figure 12 Case Study Methodology (Yin, 2005)

Within case study methodology, multiple sources of evidence are used and data are converged in a triangular fashion. The methodology is divided into six stages as shown on Figure 12. The first stage is to plan the research. Planning on how to do the research includes the justification of why does researcher prefer case study methodology compare to other methods and the understanding of case study method strengths and limitations for the research itself. During this stage, research questions are identified.

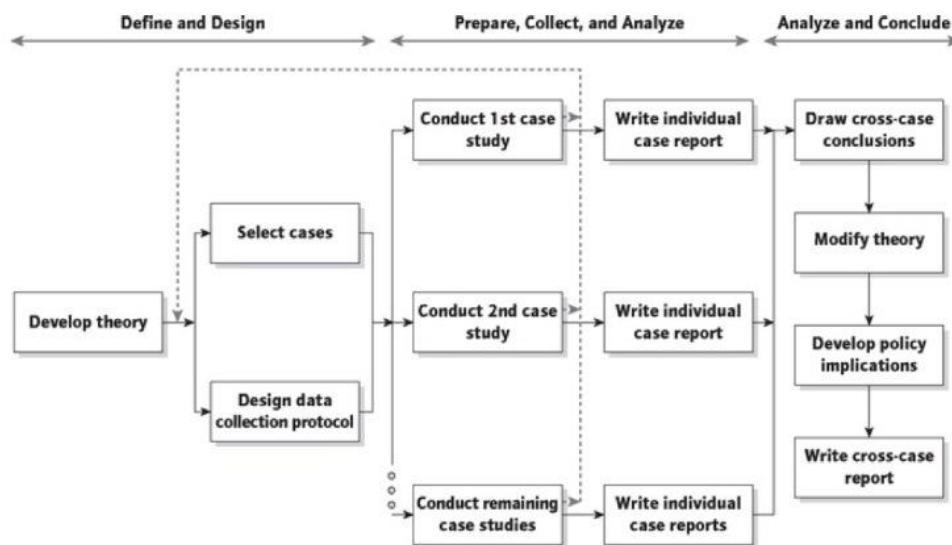


Figure 13 Multiple-Case Study Activities (Yin, 2005)

Furthermore, relevant literature that might support the case study have to be collected and analysed to support the researcher in defining the first question on case study. Those activities are done during the design phase of the case study method. Relevant theories help the researcher to explicitly operationalize the case studies. Doing more-than-one case study is

stronger than doing one-single case study. This is done in order to compare each result and have a bigger and more in-depth understanding of the context.

Prepare is the preparation stage of data collection: the case study protocol is developed and refined, sets of questions are developed and refined, and approval to conduct data collection is gained. Furthermore, screening of unit of analysis to be involved as participants in the case study is also done. Case study protocol is needed to organize and set the case study and to deal with the reliability of case studies. The protocol contains the general rules, data collection procedures, and objective for each procedure.

Collect is the conduction stage of data collection by following the protocol and sets of questions that have been defined in preparation stage. During data collection, multiple sources of evidences are used, case study database is created to organize and document all collected data, and chain of evidence is maintained. (Yin, 2005) states that the evidence may come from six sources such as documents, archival records, interviews, direct observation, participant-observation, and physical artefacts. Evidence from multiple sources will converge into similar findings. The chain of evidence is the links between sets of questions, collected data, and the conclusions drawn.

Collected data is analysed in the next stage to draw conclusions for each case study. (Yin, 2005) mentioned five techniques to analyse the data: pattern matching logic, explanation building, time-series analysis, logic model, and cross-case synthesis. Explanation building is a pattern matching technique with the objective to build an explanation about the case.

Figure 13 shows the next three stages namely prepare, collect, and analyse, being conducted in parallel between each case study in multiple-case study method. Each of the report will be compared, analysed further, and then to be drawn cross-case conclusions. The first main theory from literature is being modified afterwards based on the findings. The last stage is to share case-study findings and conclusions written on the report to audiences. Based on audiences' feedback, the report is reviewed and re-written until it gets a final approval.

3.2 Overview and Justification

In Service Design, it is important to understand customers' context and needs. As a result, collecting a set of rich data about customers' context, needs, activities, and involved stakeholders is necessary to understand customers' experience (Patricío et al., 2011). Understanding customers' experience and the modelling are being done during the Inspiration space.

SPI, who is the main service provider in this project, has previously been assisting Portuguese and Spanish companies in approaching emerging markets, such as Brazil and China. Participant companies of the case study were therefore previous SPI's clients to emerging markets, previous clients of CCIIP, and a company who was interested in Indonesia. The companies were also chosen based on the access to the potential participants. Amongst seven SPI clients who were approved to be contacted, three agreed to participate.

The research used case study methodology embedded in design thinking approach. Case study was implemented for the inspiration space in the design thinking approach in order to understand a real-life phenomenon that established the current context: companies' experiences in China. These companies were also chosen because of the few number of companies who were available to participate on the data gathering. The objective was to understand the background and process of how the companies approach the emerging Asian

market (in this case: China) then adapt the gathered data to Internationalization services to Indonesia. In terms of culture in doing the business, China has similar characteristics with Indonesia (details on Chapter 2.3).

The questions of “why” and “how” addressed both practical and research questions in this project. The project needed in-depth information regarding companies’ previous experiences in approaching Asian emerging markets, for both reasons and the processes. The approaching process was considered as a complex social phenomenon where as multicultural aspects affected the overall process and companies’ experiences.

3.3 Case Study

3.3.1 Case Study Selection

The Unit of analysis is one of the important research design components of case study method (Yin, 2005). Defining which unit that will be analysed for the case study is somehow being a problem while conducting case study. In this case, the unit analysis is companies who have approached the Asian emerging markets. The availability and responses from those companies to participate in the research is one of the research limitations.

The main deliverable of this thesis project to SPI is a proposal of a set of new services that SPI can offer to Portuguese and Spanish companies to support them in the development and implementation of plans to enter the Indonesian market. Therefore, it was needed to understand the context of Portuguese companies’ experiences in approaching Asian emerging market.

During the period of the thesis project, there were a few Portuguese companies who had done business with Indonesia. To overcome this problem, it was decided that the closest market available was China and as such, Portuguese companies who were previously entering China were the focus of the study. Both China and Indonesia are two emerging Asian markets that share similar Eastern culture and both have huge number of population and diverse location of business. In addition, SPI has been assisting Portuguese companies to do business with China.

Seven companies were contacted and three replied and stated their availability to participate on the interview. Those companies are with the described below.

Table 2 SPI's Clients who have approached China

	Industry	Previous Internationalization Experiences
Company A	Software Solution	Has distributed the technology solutions in international market, such as Brazil, Canada, China, Colombia, Denmark, Indonesia, Japan, Poland, Romania, South Thailand, USA, and Vietnam.
Company B	Software Solution	More than 90% of turnover is from Northern European customers. This company had also approached China, although is still considering its product compatibility in the market.
Company C	Agro-business	Has presented in more than 60 different countries

	Industry	Previous Internationalization Experiences
		(through <u>agreement with local distributors</u>) and has several commercial offices in Bologna (Italy), Brussels (Belgium), Sydney (Australia), Mexico, Colombia, etc.

In addition to that, two Portuguese companies who have done business with Indonesia were contacted. The two companies are described in the Table below.

Table 3 Companies who have done business with Indonesia

	Industry	Previous Internationalization Experiences
Company 1	Fish Canning	Has sold canneries products to outside Portugal, such as Australia. It doesn't export its products to Indonesia but only buys raw materials such as tuna from Indonesia.
Company 2	Equity Management	Previous investing experiences in Angola, South America, and Indonesia.

The CCIIP mentioned three names of companies who were considering Indonesia as their next business destination. Due to the time limitation of the thesis project, only one has been approached.

Table 4 Company who is Interested in Indonesia

	Industry	Previous Internationalization Experiences
Company 3	Machinery	Has sold machinery products in China and has factory in Brazil. It has approached Indonesian market through selling two machines to an Indonesian agent but the machines haven't been sold yet and still being kept the agent. It is now considering to invest and build factory in Indonesia.

3.3.2 Data Collection

Data collections consisted of interviews, documents analysis, observations, and meetings. Interview is a dynamic relationship between two people who interact directly and develop communication with a purpose ("Conducting Interviews," 2014). Interview is conducted with the objective to get qualitative data. A direct interaction (face-to-face or through phone calls) is selected because a personal contact is important and necessary to have qualified data compared to the result collected from a questionnaire survey. Interview technique requires more time and depends a lot on the interviewer's skill and qualification on how he can make the flow of interview.

A set of questions was developed, was reviewed by two responsible persons in SPI and was approved by the board members before being sent to participants. The interviews followed pre-defined structured set of questions but in the latter, however, the researcher encouraged open responses from participants to get an in-depth exploration of a more limited set of questions.

Interviews with SPI clients were conducted from April 21st, 2014 until April 28th, 2014. They were mostly done by phone call and took around 20-30 minutes. The interviews were intended to gain more understanding about the company: its background of why it was interested to enter Chinese market, the process to approach China, and what kind of services and achievements did the company want. The set of questions addressed to SPI's clients who have approach China can be found on Annex A-Table 6.

The second set of interview questions was addressed to companies who had done business with Indonesia (Annex A-Table 7). These interviews were intended to gain more understanding about the companies: their background of why they was interested to enter Indonesian market, the process, and what kind of services and achievements did the companies want. In this interview, companies were asked about the CCIIP as the service provider. By the time the interviews were made, CCIIP was the main organization that provided the support and assistance to them. During that period, there were no Portuguese consulting firm who provided the services. An additional question such as the opportunity to export products was asked as an additional question to Company 1 who was only imported raw materials from their partner in Indonesia.

The third set of interview questions addressed the two responsible representatives in the Portugal-Indonesia Chamber of Commerce and Industry (CCIIP) including the Chairman. This interview was divided into two sessions with different objectives, one per each representative. The first representative is a lawyer and also one of the founding members of CCIIP; the second representative is the chairman of CCIIP.

The first interview was intended to understand, visualize, and discuss the support and services provided by CCIIP to assist Portuguese companies in entering Indonesian market (Annex A-Table 8). These questions were derived from CCIIP's previous brief description about the organization's background, objectives, and services provided. At the end, CCIIP mentioned two names of companies that previously have approached Indonesia to be contacted for the project.

The second interview was divided into two sessions: the first session was intended to understand the demand and opportunity in Indonesia for Portuguese companies (Annex A-Table 9). The questions were related with how Indonesian market attracts Portuguese companies and how Portuguese companies should use the opportunity to the fullest. The second session was intended to understand the process to enter Indonesian market (Annex A-Table 10).

To support the interviews, document studies were also done. Documents can be divided into two major categories: public records and personal documents (Guba & Lincoln, 1985). Documents study might be an inexpensive data collection technique and provide useful information needed but the technique might pose challenges such as being time-consuming and difficult access.

Personal documents were mainly provided by SPI and CCIIP. Furthermore, the researcher looked for additional public records that were published by respondent companies. The

documents included each of company's website and reports available, SPI proposals for previous support and services related to China, and related study literature in Internationalization Strategy.

Merriam-Webster dictionary defines meeting as a gathering of people for particular purpose (such as to talk business). Nine meetings were conducted as follows.

- Three meetings with SPI, and CCIIP;

The researcher, SPI, and CCIIP discussed about the project at the beginning and each goals from SPI and CCIIP's perspective. In addition, future possible work collaboration was also discussed by CCIIP, which invited SPI to be a board member. The last meeting focused on the implementation of the first collaboration between SPI and CCIIP regarding the new service proposal for Company 3.

- Five meetings with SPI;

The meetings with SPI were done mainly with the project's supervisor and a colleague of SPI who assisted this project to clarify doubts and discuss the project's findings and progress, such as discussing the companies' needs and concept development. SPI's board member participated in several meetings to confirm and keep track about the project.

- And one meeting with SPI, CCIIP, and Company 3.

This meeting was part of the proposed service implementation, which was the first project where SPI collaborated with CCIIP.

Observation is a technique where the researcher gathers first-hand data by directly observe operations and activities where researcher can develop in-depth perspective on the context. Observation provides researchers an opportunity to gather data in a huge range of behaviours and interactions on the field (Frechtling & Westat, 2002).

Observations were done at SPI office by working and actively participating in the consulting firm's activities and at Company 3's office. Observations at SPI were done from February 10th, 2014 until June 27th, 2014 during the office hours. The observer was also involved in the proposal preparation for Company 3. In the meantime, Company 3 explained and took the observer to directly observe its factory and offices located in Porto. The company explained their marketing strategy while showing each product, assembly section, and warehouse.

3.4 Services Design Approach

Several services design models are used during the services design approach in this thesis project. For the service design approach, this project adapted Multilevel Services Design (MSD) method proposed by (Patricio et al., 2011). MSD focuses mainly on customers' experience through three hierarchical levels for each stage (see Figure 11). For the inspiration space, we understood customers' experience by adopting a case study method. Following the general model of multilevel service design on Figure 11, companies' experiences in approaching China were represented in a value constellation experience model. Value constellation experience is defined in order to gain broader objective view of the context from different customers' perspective. Furthermore, it was broken down into service experience

and service encounter experience for further details. This also opens for new innovation or possibilities beyond the existing boundaries of companies.

The next space, namely ideation, adapted the MSD to designing the service offering. Through the different MSD models, possible service ideas were generated, the selection of prioritized services were made, and the value proposition was defined. This process covered the design of the service concept, the service system, and the service encounter using service design tools. The service design tools used are the one defined in MSD methodology, such as Customer Value Constellation, Service System Architecture and Service System Navigation, and most importantly, Service Experience Blueprint. Other service design tools were also used, such as customer journeys and storyboards. Several workshops to discuss the result of each stage were conducted in order to meet the requirements and needs of stakeholders, and also to communicate the proposed services. All models made by those tools were discussed with SPI's representatives. Revisions were made based on the final result of discussions and based on SPI's objectives in the future.

The prototype component of the project was marked with designing the storyboard based on previous feedbacks on scenario and blueprints and the first collaboration with CCIIP. The first meeting was conducted with Company 3 to identify the objectives and goals of Company 3 in Indonesia. The researcher was involved directly in defining a proposal for market research study with the assistance of SPI's representative and proposal being reviewed by the board member and a representative of SPI USA before getting a final approval from the CEO.

4 Case Study Results and Analysis of Customer Experience

The three case studies and the subsequent analysis of the customer experience were made integrating several components: (1) the three cases studies, which provided rich information on customer needs and experience; (2) The application of Hitt's framework to understand the process of internationalization characterizing its challenges and opportunities; and (3) the application of Multilevel Service Design analysis of the customer experience. As such, this section is organized according to the application of these different approaches.

4.1 Companies' Profile

As mentioned in the previous chapter, the researcher studied three SPI's clients who had approached China. The results of the case study of the three companies are compared on Table 5. The analysis includes company's background in internationalization strategy, their motivation in approaching China, processes, involved stakeholders during the approaching processes, and their end result. Two of the companies have decided to enter China while one company is still in the stage of analysing their product compatibility and market study results.

4.1.1 Company A

Company A is a software (SW) developer solution company who produces and distributes the SW. University lecturers, researchers, and business specialists founded the company in 1997. The company has two major businesses, namely Supply Solution for local government and solution for Information management. Company A has two offices in Portugal (Lisbon and Porto) and China in DongGuan. Company A also has several commercial network industrial systems offices (partners) in EU, Asia, and America.

Company A has distributed its technology solutions in international markets, such as Brazil, Canada, China, Colombia, Denmark, Japan, Poland, Romania, South Thailand, USA, and Vietnam. Regarding the market in Indonesia, Company A has several collaborations with Indonesian companies indirectly. Company A provides solution to NIKE USA, a footwear company, and several manufacturers or suppliers of NIKE are Indonesian companies.

Company A's motivation in approaching China is because they provide software solutions for several areas including the area of food industry. The market approach to China began in 2009. At that time, China was the largest food supplier. Therefore, they thought to have a bigger market in China.

Before contacting SPI, Company A had done market research about China to get a general idea of the market. The company got several Chinese contacts but didn't know how to do the first move to contact them. They tried to contact but didn't get further response.

From the conferences Company A participated, related with internationalization, it knew the existence and work done by SPI. They started contacting SPI for the assistance to approach the Chinese market.

Table 5 Comparison Table - Companies who Have Approached China

No	Market Research	SPI Supports and Services	Barriers	Satisfaction to SPI's Assistance	Suggestions
1	Yes, had <u>general ideas</u> about Chinese Mkt.	<p>Pre-market: Approach Strategy to Chinese Market</p> <p>In-market:</p> <ul style="list-style-type: none"> a) Support of Business Operations in China • Report on study on social insurance b) Setting up representative office in China 	<ul style="list-style-type: none"> a. Distance, Language, and culture (they had to make different approach for partners) b. Complex and long rules and regulations c. Long waiting for approval from the government d. The company had to have <u>patience and time</u> and also invest in <u>gaining personal trust and relationship</u> from their partners. 	Company A was <u>satisfied</u> with the “teamwork” they did with SPI supports and assistances. And how SPI provided the list of potential partners, defining the selection criteria for best candidate, and the assistance for setting up their representative office in China.	SPI should have <u>bigger team</u> to provide the supports and services. For example, <u>different resources for specific type of task</u> .
2	Yes. They have done research since 2009. But SPI supports since 2013.	Pre-market approach strategy (more into bridging Company B to Chinese companies)	<ul style="list-style-type: none"> - There are <u>language</u>, <u>culture</u>, and <u>time differences</u> between Portugal and China. - The lack of needs of reducing efficiency. 	SPI's China office had huge advantage because SPI had people working in China. Therefore, it made the processes of approaching Chinese companies easier for Company	Should give and consult further analysis to help the companies make final decision.

No	Market Research	SPI Supports and Services	Barriers	Satisfaction to SPI's Assistance	Suggestions
			<u>China wants to employ more people.</u> - Bureaucratic and protocol - Their product compatibility	B. But it was <u>lack of further analysis from SPI</u> for company's final decision	
3	Yes, six years ago	a) Meeting with partners, & visits; b) Translation; c) Providing list of suppliers; d) Maintaining relationship with customers; e) Understanding Chinese language;	- Didn't know how to move at the beginning - Didn't know the exact quality and price in China - The Chinese suppliers didn't know them at the beginning - The need to build personal relationship at the beginning	They are very satisfied especially in terms of knowing the country and the culture of China.	It will be better if SPI has people for each industry sector in China.

A representative of SPI China office, and the board member in Porto office did most of the contacts with Chinese partners. SPI provided the supports and assistances as follows.

1. Approach strategy to Chinese market
2. Information related with the Chinese market and the region in China
3. Assistance in finding local partners and follow-up. Company A made 2-3 visits to China and met around 15 Chinese companies
4. Selection of partners and assistance in distribution agreement
5. Setting up a representative office in China

The CEO and some colleagues of the company were involved directly with SPI during the process. Company A was satisfied with the services by SPI. For them, it was more like a teamwork to approach Chinese market. Company A gave the Chinese contacts they had to SPI and SPI looked for more potential partners. Together they approach those potential partners and analyse each potential partner's profile.

The representative of SPI China office made the first move and contact to potential partners, and then did the follow-up and selection of the best candidate. The setting up of a representative office in China was easy because it didn't require any investment. The hardest one was to launch Company A's own office in China because this needs a further investment with the laws in Chinese. At that time, they used the assistance of another consulting firm because SPI didn't provide the supports and services.

Company A decided to move forward after analysing the result of strategic approach analysis from SPI. There are three aspects that influenced the decision:

- They could find good partners
- They could find partners who were interested
- They could have a direct and good match with partners in China.

Nowadays, Company A has a China office in Dongguan and a partner office as the commercial network office in Foshan.

4.1.2 Company B

Company B is a SW development company who provides decision-support system specialized in planning resources for railway and metro companies (both are their main markets). The company was founded in 1986 and uses the Artificial Intelligence and Operational Research technique in order to obtain the SW itself. They have two main offices in Portugal: Lisbon (HQ) and Porto.

Company B became the first Portuguese software company to begin the internationalization by exporting its SW solution. Almost 100% of the company's turnover is from international clients, mostly the Northern European companies. Company B's clients include major national railway companies in Portugal and underground railway and metro companies in Europe. The company got an Innovative Application Award by the American Association for Artificial Intelligence (both in 1997 and in 2003) and Computerworld Honors Medal (2006).

The company did an international approach since 1987 by participating in congresses and fairs and by contacting some renowned companies such as Lufthansa, Canadian Pacific Airlines, Austrian Airlines, etc. At that time, the approach was hard for Company B to be

trusted because of its status as a micro company and lack of applications that were operating in Portugal. The opportunity was opened when there was a need for planning system crews for Vienna Railways in 1991. Company B had no system on the market yet and it took two years of testing and negotiation until the contract was signed in 1993. That first experience taught Company B on the model of dealing with international projects.

Since 2009, the maturity of its products, services, and the company itself brought Company B to look for other markets, i.e. USA, Brazil, India, and China. Company B realized that the customers in other continents need local office because of the geographical distance and cultural differences. The company still considers going global – internationalization-as one of its challenges and it will depend on a foreign company to control the operation.

The company geographical portfolio is more focusing to European market, they want to diversify their portfolio in term of geography and think that there is a big market and investment opportunity for them in China. Company B has done market research before contacting SPI. They have targeted China since 2009. They did local research and contacted several Chinese companies but the process was hard because the Chinese didn't know about them at the beginning.

The service provided by SPI was the pre-market approach strategy analysis. Company B did teamwork with SPI during all of the processes. They shared contacts and information they have gathered about China to SPI. Mainly it was the Head of Strategic Development Department who interacted with SPI in a daily operation basis, but their CEO and administrators were also involved. In SPI, they interacted mostly with SPI China representatives and the board members in Porto.

Company B felt that the SPI China office has helped them a lot in making the approaching process to Chinese companies to be easier because the Chinese companies felt familiarized with the SPI China representative therefore they responded to the first contact. SPI has Chinese consultants that know the country, the culture, language that helped to overcome the cultural barriers. Company B is now still in the phase of implementing their strategy to China. They are still analysing whether their offers are suitable or will success in the Chinese market or not. They found out that China has a big number of populations that the existence of their products might be a threat of increasing the number of unemployment in China. They also found out that several universities in China develop researches similar to their products. At this time, they are not so sure yet about the legal processes of entering China because they haven't started to enter.

4.1.3 Company C

Company C is a business unit of an international Belgian company based in Lisbon, although Company C's main office is in Spain. Company C has operations in more than 60 different countries (through agreement with local distributors) and has several commercial offices in Bologna, Brussels, Sydney, Mexico, Colombia, etc. The production is based in Spain in two different locations but the purpose of commercial offices is to have direct contact with end users. The products focus on the agro-business industry by providing micronutrients and special fertilizer products.

Company C group has an office in Macau so they have had several experiences in the Chinese market. There were many suppliers with good experience in China. Company C was confident

with collaborating with partners in China because they had had good experience abroad, such as Mexico and Brussels. At the beginning, they started to purchase raw materials from China.

Before contacting SPI, Company C did a market research in 2008 about the quality and price in China. They got information related with suppliers of raw materials in China but the company wasn't sure which one was compatible with their qualification of quality, stability, and price. These three parameters were the most important parameters to maintain their products' quality therefore the company paid more attentions to it.

During the process, Company C only did the contact through SPI. There were two representatives of Company C who contacted SPI. They contacted SPI through the board member of SPI.

SPI provided the services:

- a) Meeting with partners and visits;
- b) Translation;
- c) Providing list of suppliers, including the details such as materials' quality, stability, and price;
- d) Maintaining relationship with customers;
- e) Understanding Chinese language;

Based on Company C's experience in China, the main success key is to build a personal relationship at the beginning because it is important to talk more than business. In the end, Company C decided to move forward because they found suppliers who met several of their material parameters: quality, stability, and price.

4.2 Summary Profiles of Company 1, 2, and 3

Company 1 is a company that produces fish canneries products. Its main office is in Lisbon with the productions in Açores. The company buys and exports fish canneries (mainly tuna and sardines). The company looked for resources of raw materials (especially tuna) and was aware of Indonesia as one of the biggest tuna fishing countries. Indonesian suppliers supply two types of tuna: A). The raw tuna (hasn't been processed) and B). Already cleaned tuna.

Before contacting the Indonesian Embassy in Portugal and CCIIP, Company 1 already had one contact of an Indonesian company. Then, they approached the Embassy and the embassy gave them contact to CCIIP. The CEO said that after approaching the Indonesian Embassy and CCIIP, the processes were getting easier. They got more contacts of potential ID companies and communication channels.

The company considers support from CCIIP do you consider as the most essential is how CCIIP arranged the first calls to potential ID companies, they arranged the meeting and trips, and most importantly, the follow up after the 1st call. Company 1 also participated on the trade mission in Jakarta in 2012. That trade mission was organized by CCIIP.

Company 2 is a company owned by the chairman of CCIIP. It has been investing in Indonesia since early 60s in many sectors including technology, education, and natural resources. The company has office in Porto and Indonesia. The office in Indonesia is mainly for operational activities.

The company employs Indonesian employees for operational activities in Indonesia and also works with a law firm. It mentioned the bureaucracy and government approval are the most challenging things the company faces.

Company 3 is a Portuguese machinery company and is now interested in approaching Indonesian market. It has sold machinery products in China and has factory in Brazil. It has approached Indonesian market through selling two machines to an Indonesian agent but the machines haven't been sold yet and still being kept the agent.

After doing several activities for the two machines and also participating in machinery exhibition in Indonesia, the company realized that each machinery agent in Indonesia knows each other and even being under the same umbrella company. Company 3 focus for now is to sell the two machines from Indonesian agent and then the company wants to build a new factory in Indonesia as the hub and bridge for Asian market.

4.3 Barriers, Problems, and Objectives

Following the short description of each case study, a comparison analysis is presented. The study results show that the respondent companies who have entered China or Indonesia in this project have previous experience in internationalization strategy although it was their first time approaching the Asian emerging market to China or Indonesia. The key common barriers and problems found during the companies experience in entering China and Indonesia can be categorized into eight categories as shown on Figure 14. The barriers found by CCIIP who has previously been assisting Portuguese companies to Indonesia are also considered.

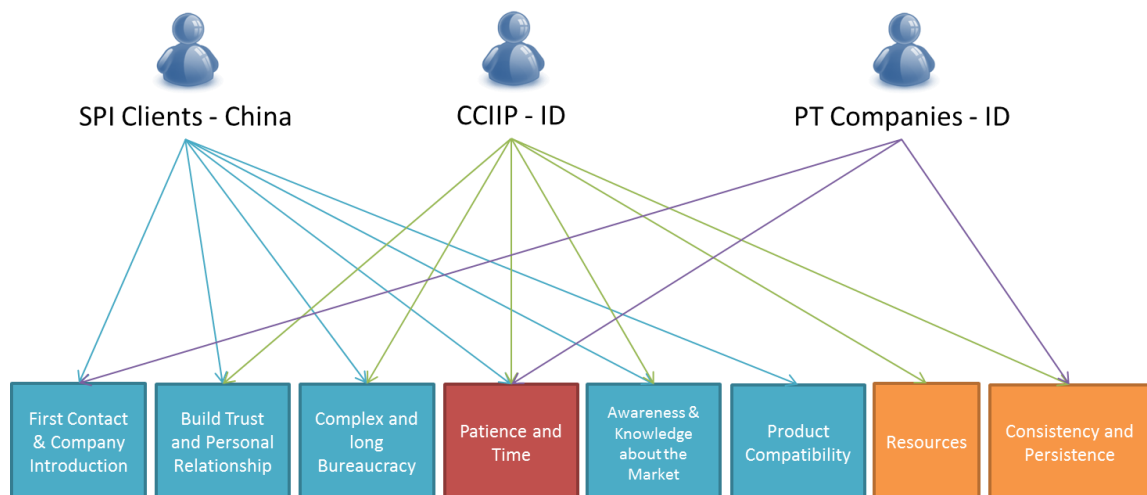


Figure 14 Barriers and Problems

The patience and time are the most concerned barriers due to the complex and long bureaucracy in the internationalization project to these countries. CCIIP stated patience and time are their most influential problems. Most of the companies who were interested in Indonesia ended up changing their minds because of these issues. What might trigger these issues is that Indonesians tend to expect and value long-term relationship with long-term benefits. Indonesians expect this long-term commitment from their partners (Katz, 2007). The

problem is also arisen in China also because of the language differences, which makes it difficult to prepare the requirement documents needed for licensing in China.

“We had to come back several times because our documents were not complete. The checklists were in Chinese. We didn’t understand.” – Company A

The companies mentioned that the existence of SPI representative office in China with Chinese consultants helped them a lot in approaching Chinese companies. Companies mentioned the difficulties in initiating first contact without SPI assistance. Two of the respondent companies approached Chinese companies before contacting SPI assistance previously.

“They didn’t know us at the beginning!” – Company A

“We didn’t know how to make a move first” – Company C

They have done market research for a few years before contacting SPI but none of the first contacts was being followed up. In other words, the first contact approach to Chinese companies was unsuccessful.

Companies who have done business with Indonesia also faced similar problems of patience, time, first contact, and company introduction. *“You cannot do only business, you have to invest in personal relationships,”* stated one of the companies. To sum up, trust and having local representatives assisting the company in host country are necessary.

The chairman of CCIIP is also the chairman of one of the companies who have done business in Indonesia. He has known the Indonesian market since the 1960s and has good relationship with important people in the government. He and the CCIIP team have been assisting many companies who were interested in Indonesia and vice versa. CCIIP has done much collaboration with Indonesian embassy in Portugal, for example to organize and host the trade fair by having several the Indonesian entities (government organizations and companies) to meet Portuguese companies in Portugal and Indonesia. But the main problems of CCIIP were the lack of human resources in CCIIP to provide the assistance and the final support to the companies who already thought of the problems and barriers in approaching Indonesia.

4.4 Analysis Study of Hitt’s Internationalization Framework on Companies’ Motivations and Internationalization Process

4.4.1 Identification of International Opportunities

According to Hitt’s model on internationalization, the first phase is identification of International opportunities. The three companies have different reasons why they considered the Asian emerging markets (in this case, China and Indonesia).

“The awareness of PT SMEs regarding ID is pretty low but now the number is getting bigger.” - CCIIP

Although several European Union business representatives have established operations in Indonesia, Portugal involvement in the bilateral investment and trade with Indonesia is still lacking in numbers (Indonesia, 2014). This low number was one of the main reasons why several people from Indonesian and Portuguese entities teamed up to form the Portugal – Indonesia Chamber of Commerce and Industry.

Company 3 who is in the progress to approach Indonesia is aware of the opportunity, such as:

- A country with developing infrastructure but has so many islands
- Very big market with a lot of opportunities

Furthermore, it participated in a sheet-metal machinery event in Indonesia. The company then got a contact of an Indonesian company who would like to do partnership. But Company 3 hasn't done any market research before and took the risk to sell their machines through an Indonesian agent. The agent bought the machines and has paid half of the price. Unfortunately, the machines haven't been sold at the time Company 3 was interviewed. This issue is now the main drawback for Company 3.

Company 3's intention is to approach China and India through building a factory in Indonesia (geographical location). Firstly, it wants to focus on selling number machines (half a million on export to Indonesia). If the sales plan is successful, Company 3 wants to invest in Indonesia by producing machines there. The company chooses Indonesia because this will be the hub and production center for standard basic machines in Asia.

Company 3 has done two visits to Indonesia and one visit inviting the Indonesian company, who has been developing good relationship with Company 3, to come to visit its company and factory in Portugal. Based on its past experience in Indonesia, it found out that every machinery agents in Indonesia know each other and they are mostly under the same umbrella company. The fact that each agent knows each other surprised Company 3 and they mentioned the importance of gaining their trust because once an agent or a company in Indonesia Company 3's stands for the its name and credibility in business, the good news will spread amongst all agents and machinery companies in Indonesia.

Prior to internationalization to China; Company A, B, and C were aware of the opportunities available for them. The companies have done market research before and have collected several contacts. As a culture barrier and considering Chinese companies seeing them as strangers, their first contact was unsuccessful. At this time, there is a huge urgency for assistance from an external consulting firm, who have had experiences in Chinese market, that SPI has been known for.

The opportunities that Company A saw in China are the opportunities to increase market share and economies of scale. Company A thought of bigger demand condition in China considering that China is the biggest food supplier. They saw the nature and size of buyers in China and seeing it as a chance for the company to offer its software solution for the food industry.

Company B saw the market in China as an opportunity for them to increase its market share while on the other hand, diversify their geographical portfolio. The company has plenty of geographical portfolios focusing in the Northern Europe mostly for several years. The company thought it might be worth it to bet their products in China. They saw related and supporting industries in China while the country's infrastructure is developing. In fact, the

company faced difficulties on their product type and they haven't decided either to enter the market or not.

“During our last trip to China, we became aware of the fact that not all of our products are suitable for Chinese market.” – Company B

Universities in China are developing their products offered and Company B considered that the company has to have different approach for this issue. Another issue is the big population in China. The government has to reduce the employment number and this brings an issue that software for efficiency and productivity in transportation won't be needed because the software might increase unemployment.

“We did research about the price and quality before contacting SPI but we weren't sure.” – Company C

The case for Company C was different case, because it looked for suppliers. The company had been researching about raw materials they needed in China for 6 years but they didn't know how to make a move and the Chinese suppliers didn't know them at the beginning. It is indeed different approach to be done to the Chinese suppliers, especially to build personal relationship at the beginning. Another problem was the company wasn't sure if they had found main players in the sector and the exact price and quality of materials.

4.4.2 Exploration of Company's Resources and Capabilities

Taking into account Michael Hitt's model of internationalization on Figure 3, the next stage was to explore company's resources and capabilities. Considering the issues mentioned above, a consulting firm plays an important role as the third player between company and their prospective partners or suppliers. Out of three companies considering entering China, most of them did a market research before contacting a consulting firm.

After the first contact with company, SPI team defined a proposal based on company's needs and intentions for the host country's market. The proposal development lasted around 1-2 weeks. Proposals were reviewed by senior consultants in SPI who have been assisting internationalization of companies for many years, the board member of SPI and often being the leader of Internationalization project, and at the end by the CEO before handing the proposal to company. The proposal consists of stages of services and consultation, delivery reports, schedule, price of services, and the team.

The company then reviewed the proposal, gave feedback to be refined by SPI team, and once it agreed to sign the deal by having the first initiation payment, the project began. The project starts by having a briefing meeting to define company's objectives and goals to China. The internationalization support and assistance by SPI are divided into several phases and always start with the phase of understanding company's business and market expansions goals.

The support and services provided are to explore company's resources and capabilities in order to effectively and efficiently use its core competences by defining its entry mode and

developing a strategic approach. SPI provides three main service phases namely market assessment, partner selection, and development of strategic approach. Support and services are adjusted based on company's needs and requirements for the market. For example, if the company has had a contact with a partner in China, then SPI will do an assessment study of that Chinese partner. The company actively participates during the process of Internationalization together with SPI for each phase.

4.5 Stakeholders Map in Approaching Indonesian Market

The stakeholders related with the process to approach Indonesian market are shown in Figure 15. Stakeholders consist of three groups: The Portuguese companies, service providers, and the Indonesian government. Portuguese companies wishing to enter Indonesian market are divided into traders (for both export and import process) and potential investors.

The Indonesian government entities involved are the Ministry and other government organization. Ministry of trade, ministry of industry, and *Dirjen Bea dan Cukai* (General Director of Taxes) are involved in investment and trading process in Indonesia. In the meantime, the most important government organization involved in investment is the BKPM (Indonesian Investment Coordinating Board). All requirements and licensing permits should come through BKPM.

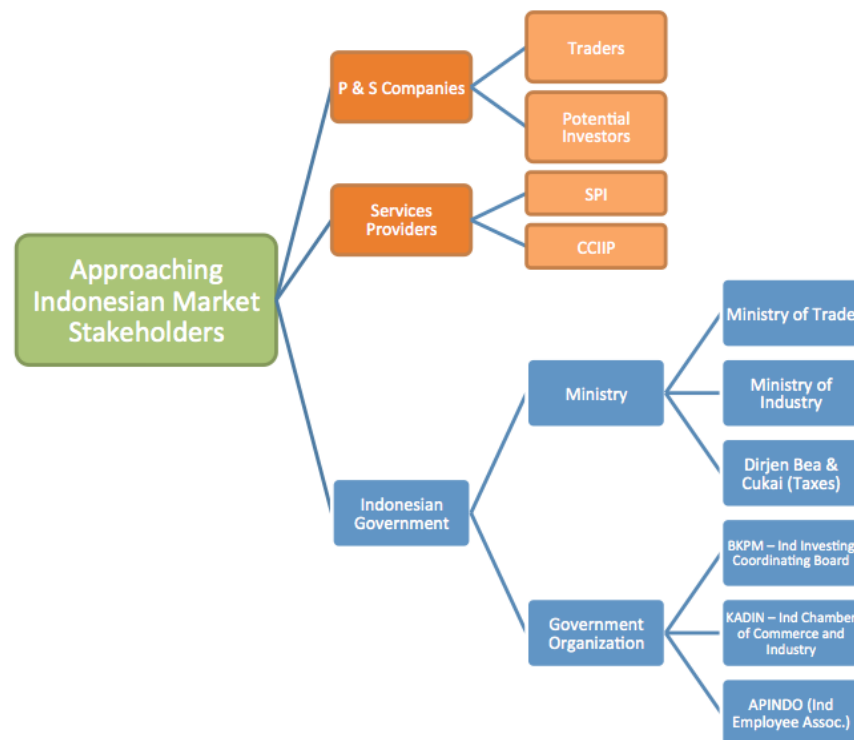


Figure 15 Stakeholders Map

CCIIP used to be the only service provider in approaching Indonesian market. In the meantime, SPI has never been working on collaboration when assisting Portuguese companies to China. SPI invested in China for 10 years previously and now, the company has a representative office in China with several native Chinese as the employees in both Porto and China office.

The proposed service is to have the collaboration between CCIIP and SPI. Both joint their network, skill, and resources to enhance the service.

4.6 Customers Value Constellation for Approaching Indonesian Market

The analysis of Hitt's phases of internationalization were integrated with service design stage to explore new service concepts for SPI support services for companies entering the Indonesian market. In the ideation space, several ideas are generated to explore new service concepts. This approach allows the design team to explore many possible ideas or solutions for the problem context before the implementation space (Schneider & Stickdorn, 2011). The service concept defines the set of values that are offered to customers, including core and supplementary services. The Customer Value Constellation (CVC) is being used in this case. The CVC depicts the service concept and can be used to explore more innovations in the current service concept based on the problems and barriers identified and customers' needs. Services are not only offered by the service provider, but also from other external organizations or the other members within the value constellation (Patrício, Fisk, Cunha, & Constantine, 2013). The CVC was generated from the problems and barriers identified, customers' needs, and available current services.

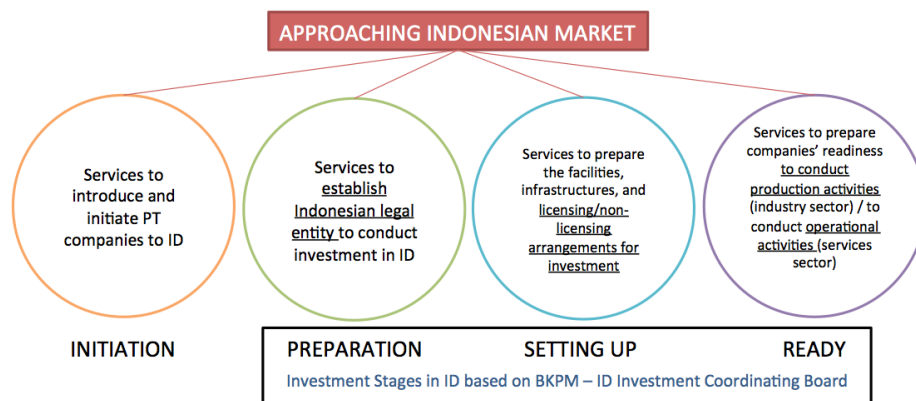


Figure 16 Stages in Approaching Indonesian Market

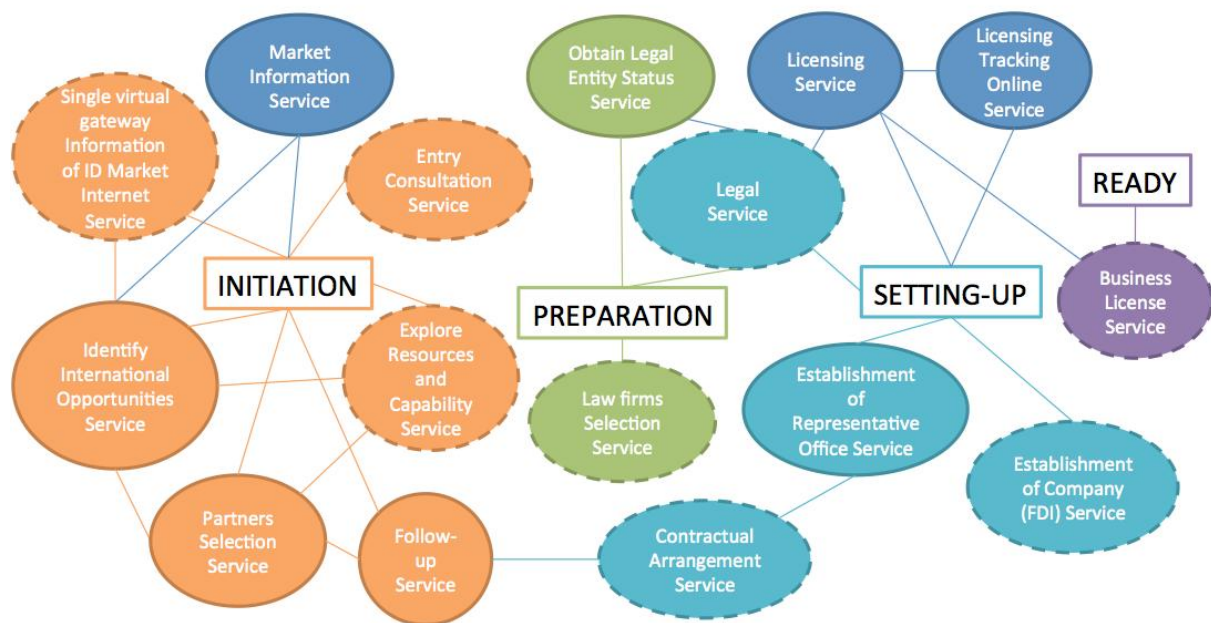


Figure 17 Value Constellation - Approaching Indonesian Market

As shown on Figure 16, processes in approaching Indonesian market are divided into four stages with the last three stages defined by BKPM. Those four stages are initiation, preparation, setting up, and ready. Initiation is a set of services to introduce and initiate Portuguese companies to Indonesia. SPI has been an important player during this stage to Chinese market. The service is merely into pre-market assistance to the Chinese market.

The next three stages target the companies who finally made the decision to enter Indonesian market by investment. The Preparation stage consists of a set of services to establish Indonesian legal entity to conduct investments in Indonesia. After the preparation stage, a set of services in the setting up stage is offered to company. Setting up consists of services to prepare the facilities, infrastructures, and licensing/non-licensing arrangement for investment. The last stage is when companies already got all of the licenses needed and they are getting ready to conduct production activities (for industry sector) or to conduct operational activities (for services sector).

The three stages for investment in Indonesia require the company to process its licensing or legal agreement stamped by the Indonesian government (Figure 17). BKPM provides the licensing service through its One Stop Service (details on Chapter 2.3.1.2). The dark blue circles on Figure 17 represent the services offered by BKPM's One Stop Service. It includes the tracking services where company can track until which stage are their documents are being processed.

But the company itself should acquire licenses in regional levels in Indonesia. The municipality or provincial or central government grants this regional license. During the preparation stage, an initial principal license is needed to get government approval in order to form a LLC company. During the three investment stages, having a law-firm partner is important because the local law firm knows profoundly the Indonesian procedures, laws, and regulations.

The service itself hasn't been provided yet by SPI to assist company to China. Company A mentioned they used another consulting firm that can provide assistance to establish their office in China. Although Company A got assistance from another consulting firm to process their investment legal documents, the company itself is still facing problems within the procedures in China. Problems faced were the complexity and long regulations, waiting for approval from the government that took long time, and in providing the requirements because most of the required documents were written in Chinese. The CEO of Company A mentioned that they had to come several times to the government office because of the incomplete requirements.

Companies B hasn't decided to enter China and company C didn't need that specific assistance because the company itself only imported raw materials from supplier partners in China. For export and import trade, commonly the supplier partners take care of everything and the Portuguese company only get the final amount that they have to pay. A similar case happened to Company 1 who has been importing tuna from Indonesia. The procedures are very satisfying. But the assistance of SPI (for Company C) and CCIIP (for Company 1) were really helpful for them in order to know prospective suppliers, exact price, and quality of materials.

4.7 Stakeholders' Needs and Services Requirements

Addressing the barriers and problems found on previous Chapter 4.2 based on customers and CCIIP's perspectives, the set of new serviced proposed should be able to:

1. Raise the awareness of Portuguese companies about the business opportunity in Indonesia;
2. Cover the gap of Portuguese companies to do the first contact and follow-up with Indonesian entities;
3. Bridge the cultural difference gap to communicate and build trust during the approach processes between Portuguese companies and Indonesian entities.

SPI can be categorized into a soft-service firm because of the high urgency and needs of interaction with customers from the order taking, production of solutions, until deliver the solutions to customers. The information transformation and delivery are intensive in SPI when the company provides assistance to companies who consider marketing their products or services in international market. The value transformation model of Information-intensive soft services can be seen on Figure 2.

SPI had been investing in China for around 10 years before it finally started being recognized as an expert-consulting firm regarding the Chinese market. The 10 years investment was indeed with a slow pace revenue. SPI's objective for this project is to fasten SPI's revenue in assisting Portuguese companies to Indonesian market. SPI intends the services to fulfil the requirements as follows. Services developed are likely to services that provide targeted and effective support to:

- (i) Identification of possible market segments in which to enter
- (ii) Appraisal of market, financial, legal, and regulatory conditions
- (iii) Selection of partners
- (iv) Development of market entry plan
- (v) Implementation of market entry plan

In the meantime, problems faced by Portuguese companies who have approached Chinese market are more related with approaching the Chinese entities and building trust and personal relationship with those entities. Indonesian market is a new market approach for SPI and a medium catalyst is needed to shorten SPI's investment of resources to assist Portuguese companies to Indonesian market.

CCIIP's concerns are related with awareness of Portuguese companies regarding the opportunity in Indonesian market and also the number of Portuguese companies who finally decided to enter Indonesia. The organization itself has been assisting Portuguese companies by providing information and assistance in finding potential partners in Indonesia. The organization consists of several key persons who have had good relationship with Indonesian entities. The chairman of CCIIP is the honorary consult of Indonesia-Portugal who works directly with the Ambassador of Indonesia to Portugal with the supports from Indonesian entities in Indonesia. Taking into account these strengths and weaknesses, the collaboration with CCIIP will fasten SPI's investment in assisting Portuguese and Spanish companies to Indonesia.

5 Designing New Services to Support Companies in Their Internationalization Process to Indonesia

Consider the few numbers of companies who have had Indonesia on their mind as their business target destination. Those companies haven't thought about taking the further step to invest in Indonesia, but put more intention into having more sales through agents or distribution partners. As a result of the examination of the Indonesian market and the three case studies, the service designed is mainly focused on the preparation phase before entering Indonesian market.

The name of the service: **Portugal – Indonesia Single Gateway**.

Portugal-Indonesia Single Gateway is intended to be the first-entry focal point for any Portuguese and Spanish companies who are interested in the Indonesian market. As shown in Figure 18, the gateway focuses on three main service values, i.e. information, partner selection, and resources and capabilities services.

For the information service, a single-gateway portal website will be the main one-stop information portal about doing business in Indonesia. The website is targeted to companies and also to promote SPI knowledge, services, and events related to Indonesian business. The embassy of Indonesia in Portugal and the embassy of Portugal in Indonesia can refer to the website as a reference if any company approaches them. SPI, CCIIP, and other partners or sponsors organize events such as trade missions, seminars, and conferences. As part of the knowledge transfer and management, there will be regular meetings between SPI and CCIIP. The regular meeting is intended to channel the knowledge about Indonesian market from CCIIP to SPI. The agreement between SPI and CCIIP was initiated at the first meeting. The agreement is moving forward and the second meeting indicated SPI and CCIIP first collaboration for assisting Company 3.

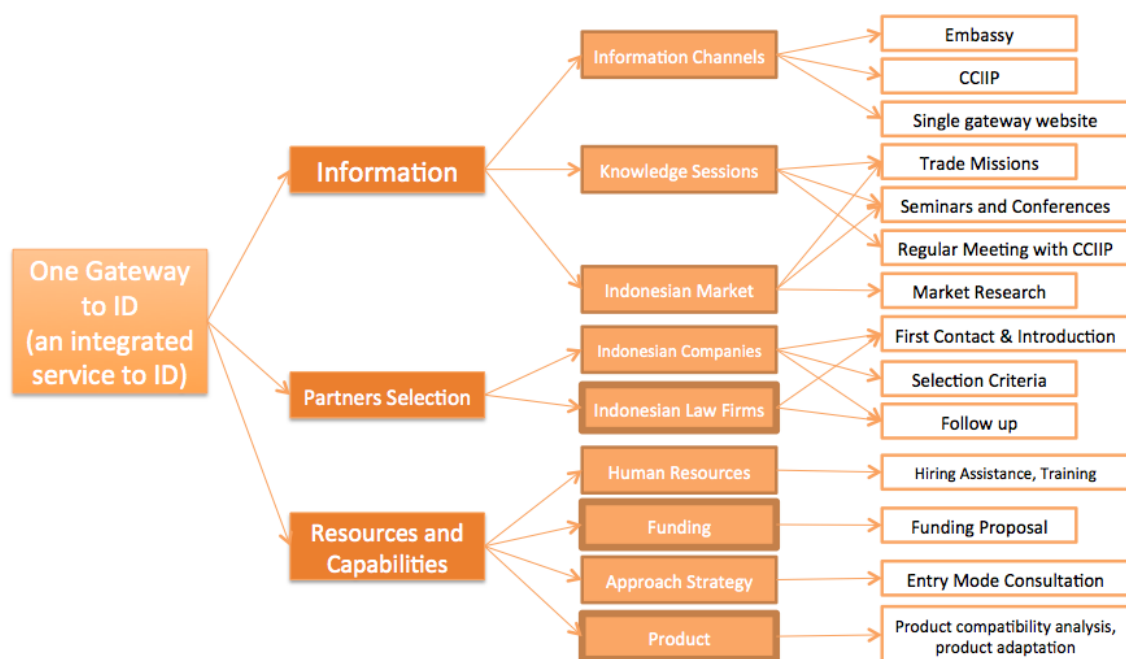


Figure 18 Services Tree

5.1 The Service Concept

Taking into account the Multilevel Service Design approach (MSD), the process starts with designing the service concepts. This “abstract level” includes analysing and understanding the company’s value constellation (broader context) and the positioning of each related customer activity. Value constellation experience is co-created from all interactions, relationships, and interactions between customers, all related organizations, and service providers that are needed to perform activities to deliver value. It is triggered from understanding the customers’ activities that was done previously (Patricío et al., 2011). The value constellation experience is then defined in more detail through the service experience and service encounter experience. Service encounter is also called the touch points or moment-of-truth where customer interacts directly with the service provider through one or more service interfaces, such as employees or the service’s website.

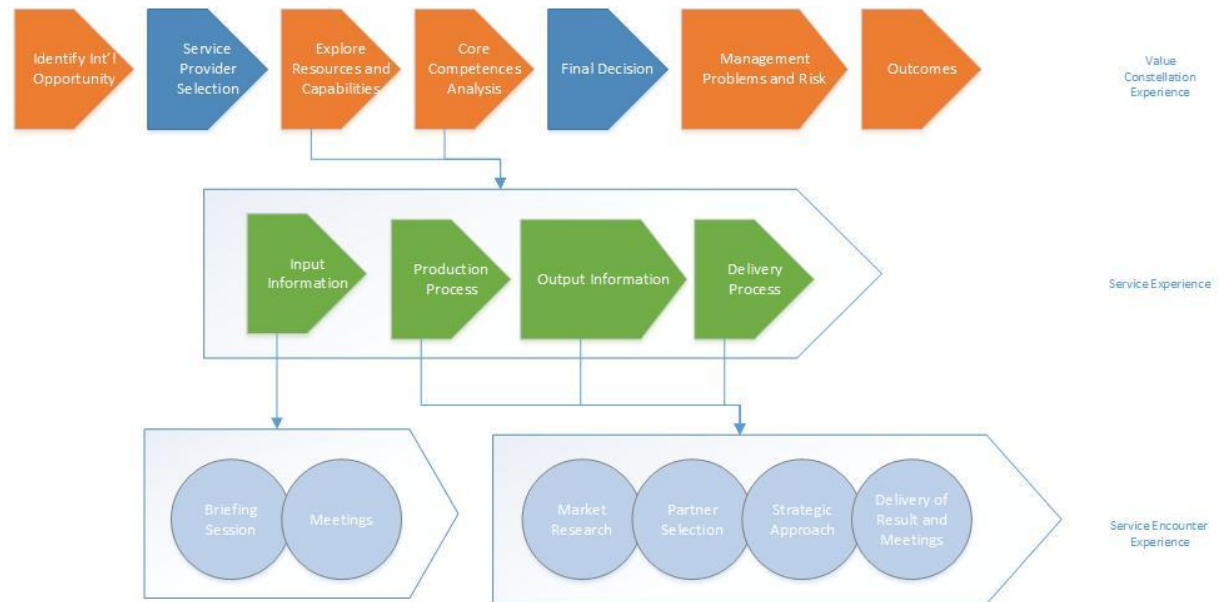


Figure 19 Value Constellation Experience

Based on the gathered data and analysis described in previous chapter, this thesis project proposes a model of value constellation experience for Internationalization of a company as shown on Figure 19. It merges the framework of opportunities and outcomes of Internationalization strategy on Figure 3 (Hitt, 2006) and the framework of Common Value Transformation for Soft-Service Firms on Figure 2 (Ball et al., 2008). (Hitt, 2006) framework is highlighted in **orange color** and (Ball et al., 2008) is highlighted in **green color** on Figure 19.

(Hitt, 2006) framework of opportunities and outcomes of Internationalization strategy describes the sequence stages taken by company to internationalize since it starts to identify the opportunity until the expected outcomes of the market entry and strategic approach are taken by the company. Consulting firms jointly participate during the exploration of company’s resources and capabilities and core competences analysis.

(Ball et al., 2008) framework is merged into the value constellation experience model as the detailed service experience for “exploring resources and capabilities” and “core competences analysis” service activities. This framework details the value chain of how soft-service firms manage their strategy with market entry forms. During this value chain framework, consulting

firms have extensive direct interactions with clients (in this case, company) while exploring company's resources and capabilities (for example during the market assessment, partner selection) and core competences analysis (for example developing strategic approach). Customers experience and services encounter play important rule to define customers' satisfaction and quality of services.

This set of services focuses on pre-market assistance for company to Internationalize. Therefore, the service activities of management problems and risk and outcomes on value constellation experience model will not be described into more details.

Company's service activity starts from identifying the International opportunity in Indonesia and then selecting the service provider. In this case, service providers are the consulting firms. Then company explores its resources and capabilities and analyzes its core competences with the assistance of a consulting firm.

After considering Indonesia for the company's business, further steps are taken by the company. The service experience is shown as the order taking experience. This is the experience of how service provider takes the order from company. The first encounter is when company contact consulting firm to meet for the first time to discuss about its objectives and goals in Indonesia. After the meeting, service providers will develop a proposal of services to be proposed to the company. The Proposal consists of set of services' offering that are adjusted based on the meeting results, service fee, work plan, and project team. The Company will analyze the proposal and give feedbacks after the proposal is delivered and decides whether to take the proposal or not.

The next service activities are the main ones namely explore resources and capabilities and core competences analysis. The assistance from service provider is very important during those two activities especially considering the problems that being faced by companies when approaching the Chinese companies, i.e. first contact and company introduction, build trust and personal relationship, and time and patience (as seen on Figure 14).

The company is highly involved during the activities on value transformation for a soft-service firm (Figure 2). The activities model proposed by (Ball et al., 2008) is adapted into this set of service. Input information is conducted with briefing session to initiate the service project and meetings are conducted to discuss company's objectives, goals, and needs to Indonesia.

The main production process, output information, and delivery process is done when assessing the Indonesian market, selecting partner, and developing strategic approach. Those encounters are done together between company, SPI, and CCIIP.

Customer Value Constellation provides broader view of the service concept. This tool is used in Multilevel Service Design to design the service concept. By understanding the broader concept and the existence of multiple service systems within the given activity, it might develop innovation on services.

Figure 20 shows the customer value constellation for the set of services within SPI and CCIIP collaboration and services that are offered by other organizations. This model is derived from the value constellation model for approaching Indonesian market (Figure 17). The set of services is called PT-ID Single Gateway where the objective is to introduce the potential opportunity for Portuguese companies in Indonesia and mention the collaboration between SPI and CCIIP as the main service providers. It focuses on providing the pre-market assistance.

The services provided by SPI are highlighted in the **purple colour**, services provided by CCIIP are highlighted by **orange colour**, and services provided by SPI in collaboration with CCIIP are highlighted in **blue colour**.

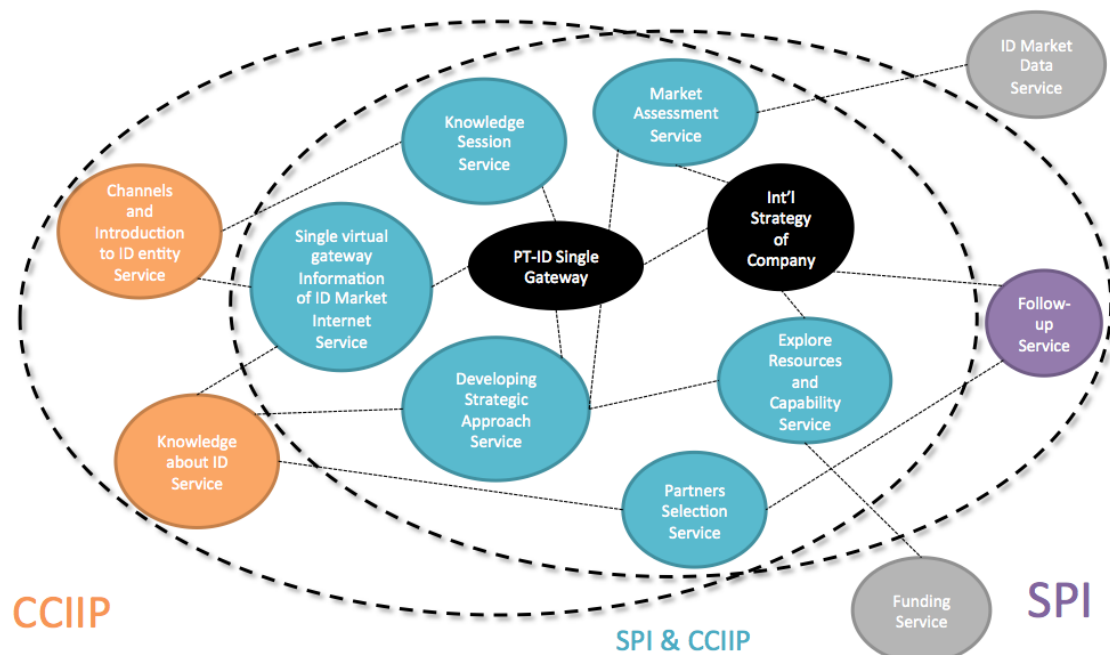


Figure 20 The Proposed Set of Services' Concept

SPI has profound consultancy skills in supporting company's internationalization strategy. The partner selection service is a modified service to assist company to select Indonesian companies as partners and also Indonesian law firms to assist companies in activities related with legal procedures in Indonesia. SPI has been providing assistance to companies in finding potential partners or main players in specific industry sectors.

In addition, SPI will assist companies to explore their resources and capabilities in order to prepare them for successful business in Indonesia. The resources and capabilities include human resources, funding, approach strategy, and product. For the developing of the strategic approach service, SPI and CCIIP will provide the reflection analysis service based on market study result (pictured on Figure 20).

CCIIP has been building the relationship with Indonesian entities, including important organizations related with industry, trade, and investment. CCIIP has also gained trust and has developed personal relationships from the Indonesian entities, which main barriers and problems experienced by companies who have done business in China and Indonesia. In another way, SPI has been building and improving the company knowledge, skills, and portfolio in supporting companies' internationalization strategy. As a result, the joint force connects both knowledge and skills of SPI and CCIIP.

As seen on Figure 20, SPI does the consultation services related with internationalization of company. The Indonesian market data service is provided by an external organization that has been working on Indonesian market in several sectors for many years. The funding service is provided by external organizations that support Portuguese companies or SMEs to internationalize, such as the European Union and FCT Portugal.

CCIIP provides channels and first introduction to Indonesian entities for SPI. In addition, it channels its knowledge about Indonesian market to SPI. Both SPI and CCIIP involve on three services, i.e. knowledge session service, single virtual gateway Internet service, and reflection analysis service. CCIIP channels its knowledge about the Indonesian market, related stakeholders in Indonesia, investment rules, and other information related with business in Indonesia on the website and knowledge sharing and meeting with SPI. CCIIP involves in the first meeting with client to give brief and general view of Indonesian market and involves for the proposal discussion with SPI.

5.2 The Service System

Service system is the service provider's resources that support the process of value co-creation, such as people, processes, backend system, and other service interfaces (Patricio & Fisk, 2011). Those resources act as channels through which value is co-created with customers. Service system is modelled with Service System Architecture (SSA) and Service System Navigation (SSN). Service system architecture shows the processes within the service and which front-end and back-end systems are related for each process. It defines the relationship for each activity and its related actors and service encounters. In the meantime, SSN describes the whole flow of processes.

Figure 21 shows the service system architecture for the set of services that are being offered by SPI in collaboration with CCIIP. On the top horizontal row, there are service tasks namely desire/service recognition, proposal, market assessment, partner selection, and strategic approach. Four service interfaces interact directly with customer during the tasks in the front stage. SPI and CCIIP each have their own representatives that participate in meetings and deliver the assessment analysis results to customers. Both representatives are involved during the discussion with customers (in this case, it is labelled as "company") to define their strategic approach.

The embassy of Indonesia for Portugal acts as a medium or referee. The embassy's existence has been known by the Portuguese companies. It will refer to the single-gateway website when a company asks about Indonesian market. The single-gateway website provides all necessary information related with opportunities in Indonesia, processes for doing business in Indonesia, and direct contact to SPI. It mentions the support and services provided by SPI in collaboration with the Chamber of Commerce and Industry (CCIIP).

As for the backstage, SPI and CCIIP employees and IDINet – SPI's Backend System provide support processes and technology to support client company co-creating value with SPI and CCIIP. SPI and CCIIP employees are responsible for the supporting processes to support the main tasks. The employees are the one who do the works; such as gathering market data, assessing and analysing market, preparing meeting materials, and developing deliverable reports.

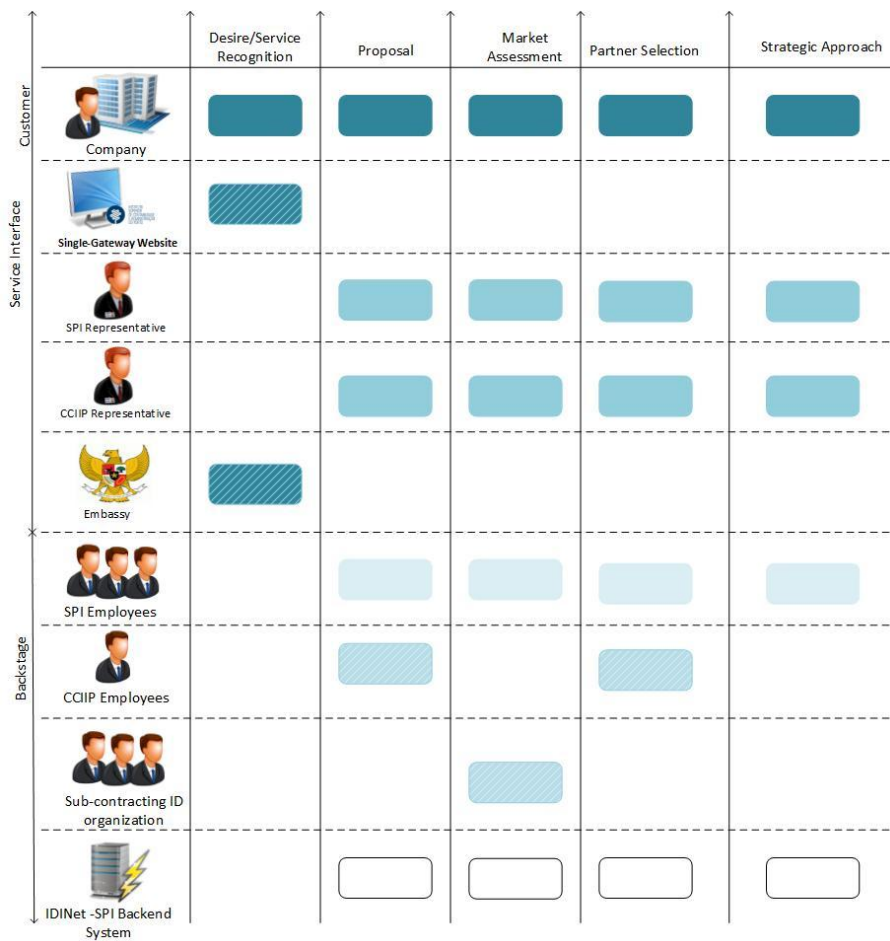


Figure 21 Service System Architecture

Every project at SPI is registered on IDINet, the project management backend system, to make it easier to manage and trace. Each new potential project is registered at the beginning after the first meeting with potential customer (in this case, a company who are interested with Indonesia). After the company accepts the proposal, project status will be being updated. All related documentations are uploaded onto IDINet, including template for proposal, report, and presentation.

The five main service tasks are previous tasks that SPI has been implementing to their clients to approach Brazil and China. The main difference here is the new role of CCIIP into their main five tasks. The CCIIP representative is involved since the first meeting with the client, developing the proposal until the definition of the strategic approach.

Another addition is the role of the subcontracting Indonesian organizations. This organization has been doing market research in Indonesia for several years and has had good knowledge and data about all specific markets in Indonesia. CCIIP has been subcontracting into this organization previously. This subcontracting action will help SPI in shortening the process for doing market assessment and get relevant and valid data for market analysis.

The matrix view of SSA triggers the form of SSN. The body of the matrix of SSA and SSN portrays the service interfaces and processes in the backstage that support the co-creation of value. At the SSN matrix, it is easy to navigate activities in sequence for each task and how those activities are related to each other. SSN for the project is shown on Figure 29 (Annex

B). These matrixes clear the understanding of the service system and how tasks, service interfaces, and backstage processes are related to each other.

5.3 The Service Encounter

Multilevel Service Design approach uses Service Experience Blueprint (SEB) to design concrete activities for each service encounter. SEB is one of the tools used in doing the creative and development process of service. At first, Service Blueprinting was used as a process control technique to solve problems and mark the failure points that can happen. However SEB has evolved into a tool for designing customer-centric services. Some companies commonly use it. It points some moments of truth that happen both onstage and backstage in the service process. It has five components, i.e. customer actions, onstage, backstage, supporting processes, and physical evidences (Bitner et al., 2008).

SEB defines the interaction process and roles for each participant in the front and backstage. It maps the existing service encounters defined previously and also to design alternatives that might enhance the service encounters. Service encounter experience is the experience that occurs to customer when interact directly with service providers through several channels. Service encounter affects how value is delivered. Single gateway website plays the role as the service encounter for passive information to company, while several events such as seminar, conferences, and trade missions play the role as the active information. Company could actively participate in those events to gain more understanding about Indonesian market and the opportunities for its industry sector lies within.

*Service Experience Blueprint for
Desire/Service Recognition*

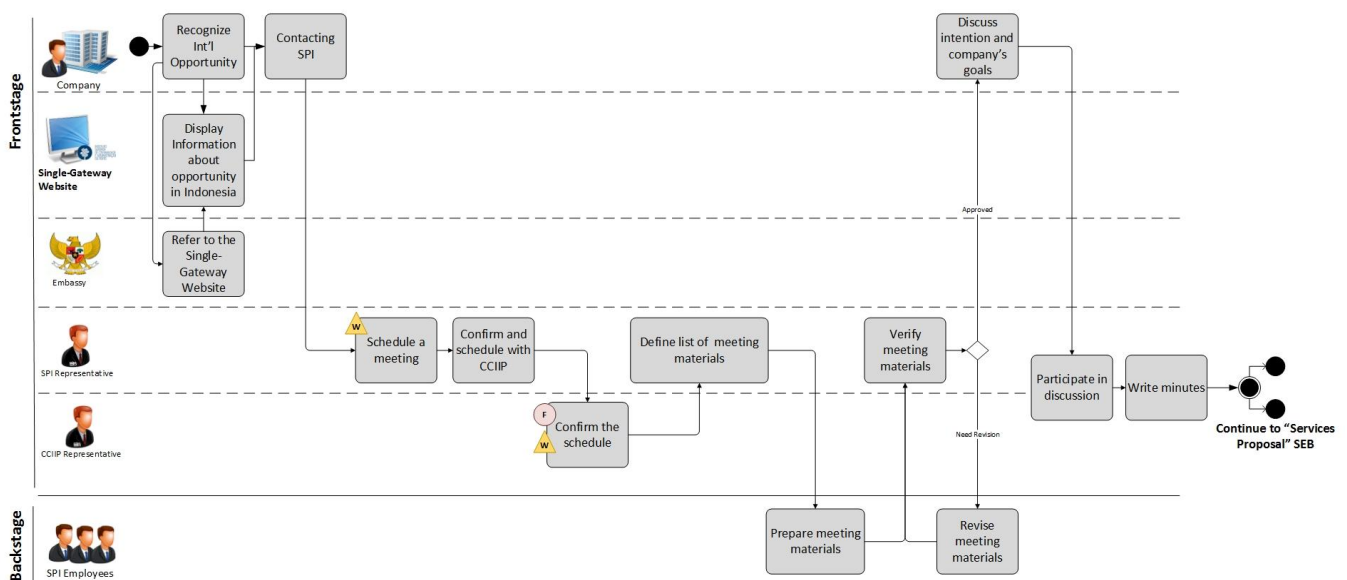


Figure 22 Service Experience Blueprint for Desire or Service Recognition

Service Experience Blueprint for Partner Selection

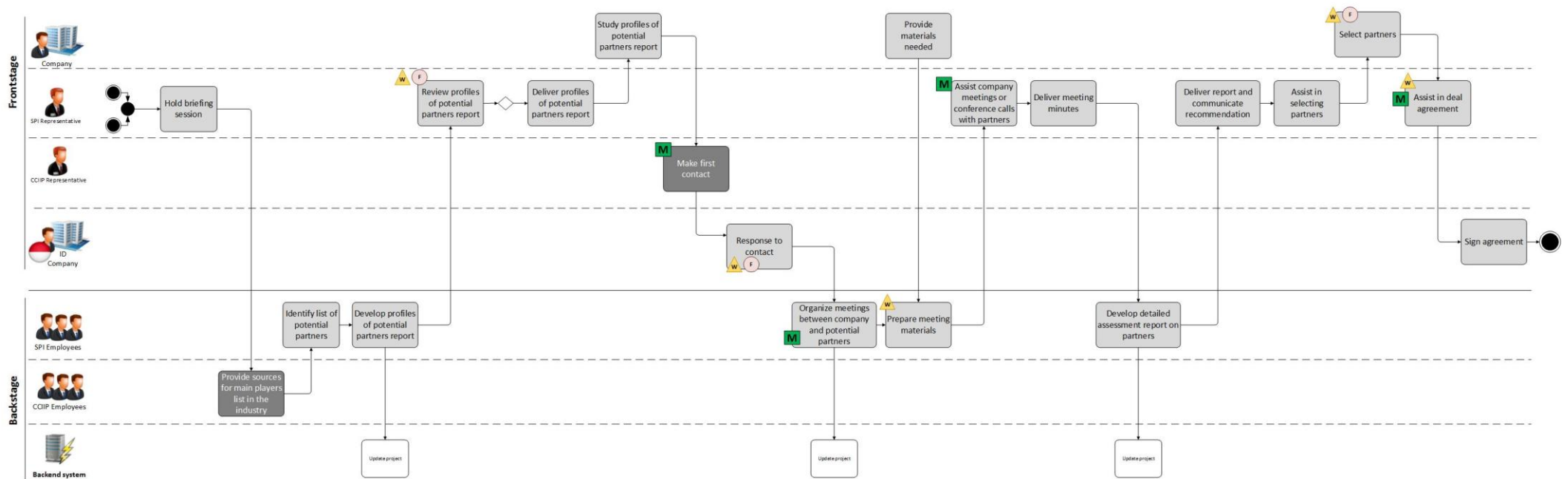


Figure 23 Service Experience Blueprint for Partner Selection

The SEB states more clearly CCIIP roles in collaboration with SPI. The first role is CCIIP joins SPI during the first meeting with company (Figure 22). Company who recognize the International opportunity can look on passive information through the single-gateway website or contact the Indonesian embassy. The embassy then refer to the single-gateway website where company can find SPI contact and study the supports and services that being offered by SPI.

Scheduling is organized by SPI, who communicates it to CCIIP representative. There might be a wait and fail point for the schedule confirmation because of the availability of CCIIP representative that doesn't match with SPI availability. CCIIP representative joins the first meeting discussion in order to give broader idea about business in Indonesia to the company. Meeting minutes is developed by both SPI and CCIIP and will be used for defining the proposal (Service Experience Blueprint for the proposal development can be found on Figure 30 – Annex B).

As the set of services deals with multicultural stakeholders, it is important to understand which action needs more attention because of the different approaches needed. Barriers and problems found are related with personal approach and communications. The culture way of negotiations matter the most during the process to approach Indonesian entities.

SEB uses two alert notations, which are F (stands for Fail point) and W (stands for waiting point). These points highlight which action that might need more attentions because the action can affect customers' experience within the intended service. But there is not any alert notation for the multicultural stakeholders. This project proposes the use of additional alert notation to sign the point where different approaches are needed because of multicultural factors. A new alert notation is added to the blueprint. It is signed with **a green square with M letter**. M letter stands for multicultural aspects to deal with during the action taken.

For example, on the SEB diagram for partner selection (Figure 23). Actions taken by CCIIP are highlighted in dark grey. CCIIP existence that has been previously known by the Indonesian entities will initiate the first contact before transferring the role, responsibilities, and knowledge to SPI. This first contact movement is important because of the hierarchy and culture in Indonesia that might take long time to response the contact.

SPI will follow up after the first contact with Indonesian company and bridge the communication between Portuguese and Indonesian companies. SPI assists and joins conference calls and meeting to clear the understanding and objectives between both parties. During these processes, the different approach is needed also. Another concern during the process is that it is necessary for SPI to hire native Indonesian employees to deal with the meetings. The native knows how to deal and address the cultural differences at those points highlighted in green "M".

On Figure 23, the M notation highlights actions that connect directly with potential partners in Indonesia. As part of the follow up after the first contact, SPI will organize meetings between company and potential partners. It will also prepare necessary meeting materials, such as translation of materials that are provided by the company, in order for the meetings run smoothly as intended. Another important action is the assistance until the deal agreement is signed.

6 Prototyping

Prototyping is a flexible approach to test the design of service offering, concepts, and ideas generated on previous stages. Services prototyping should be tested on the role of people, process, and physical evidence (Sarmiento & Patrício, 2011).

Prototyping on role-playing of people will give us understanding how customers, service employees (both in front and backstage), and other stakeholders co-create the service. Service prototyping on process demonstrates how the service works. This involves prototyping for each service encounter related within the process on customers' journey. Lastly, prototyping on physical evidence is important to view the service from tangible perspective that customers and other stakeholders interact with.

A storyboard is developed in this thesis project as the prototype for the proposed set of services. It is focusing on the critical point of multicultural aspect during the service process. As for one example, it represents the multicultural point on the blueprint for partner selection (Figure 23). The storyboard refers to the references about how to do business negotiations with Indonesians by (Katz, 2007) and (Lewis, 2006)

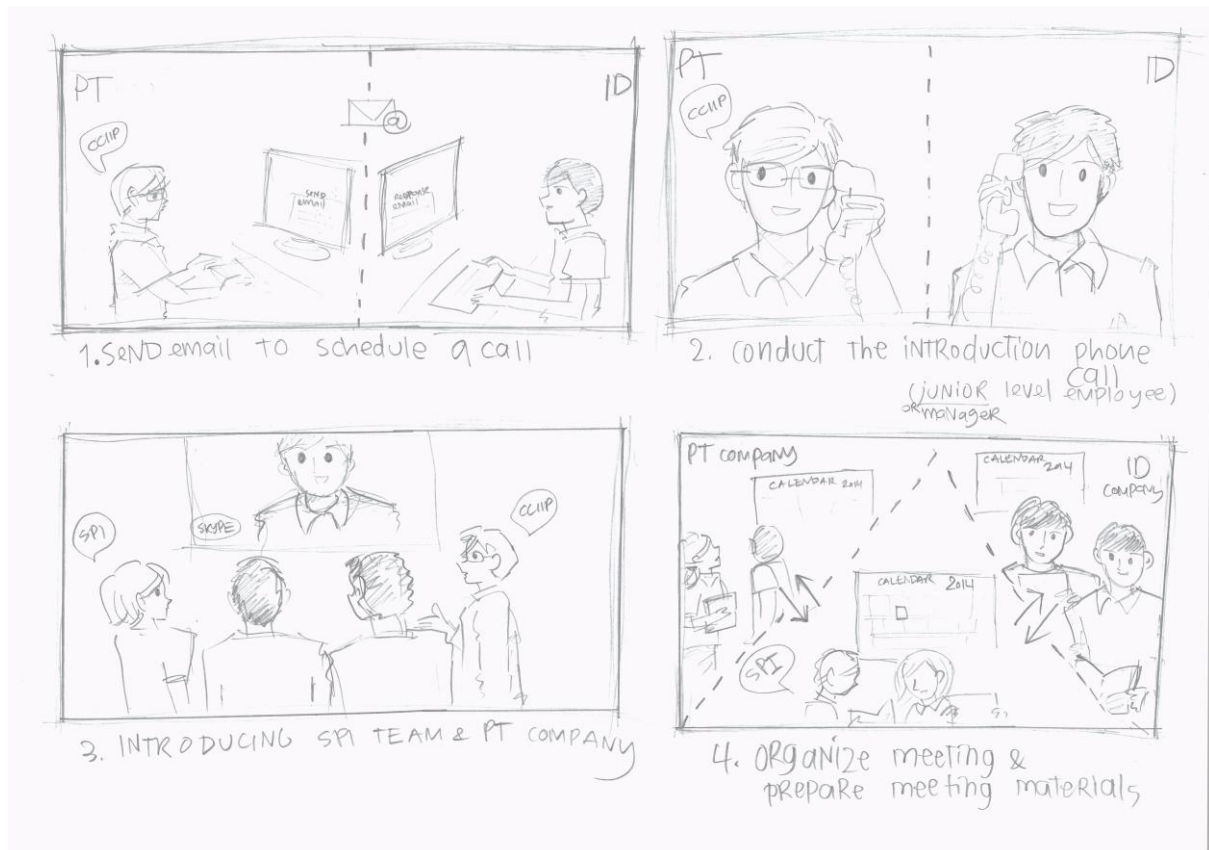


Figure 24 Storyboard 01: First Contact and Organize Meeting

As seen on Figure 23, CCIIP who has had establish networking contacts and relationship with Indonesian entities will initiate the first contact. It is advisable to initiate by sending an email

to schedule the first introduction call. The other way is contacting the potential partner by a relative connection in Indonesia that might bridge SPI-CCIIP with Indonesian entities first.

After the potential partner agrees to do the direct meeting, SPI will organize the meeting and prepare meeting materials. It is advisable to prepare business card with Indonesian translation on the other side of the card. The Portuguese company will provide the necessary materials to SPI to be proceeded and SPI will communicate the schedule and how the meeting will work with both Portuguese and Indonesian companies. Scheduling a meeting with Indonesians should be made at least four weeks in advance. This should include agreeing upon scheduled agenda and explain whom the Indonesian entities will be meeting; including details on titles, positions, and responsibilities of attendees.

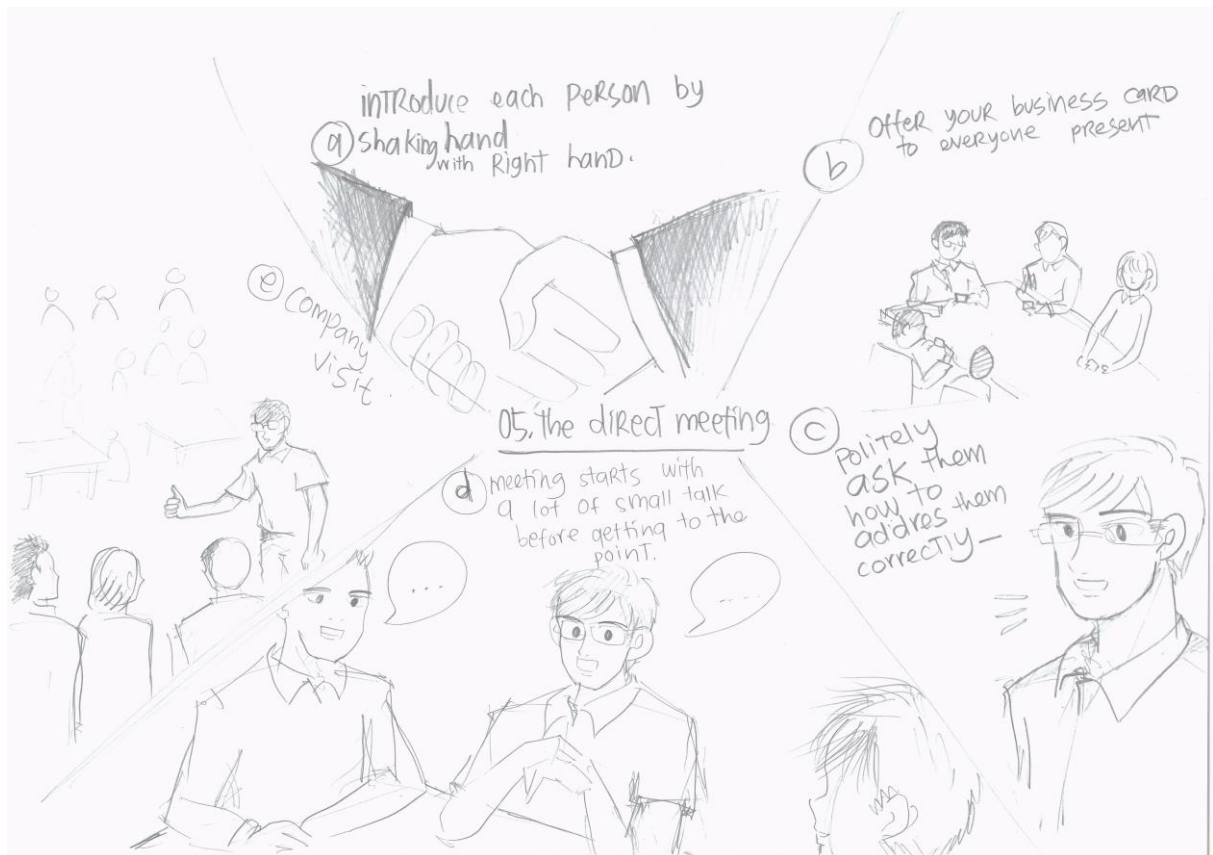


Figure 25 Storyboard 02: the Direct Meeting

It is very important to leave a good impression during the first contact and direct meeting or company visit to both companies. Although the country is very diverse, everyone on the same business industry knows each other and news spread very fast.

Indonesians tend to expect foreigners to be punctual. For the direct meeting, several gestures in Indonesian way are advisable to gain their trust and respect. The storyboard on Figure 25 shows the gestures. The first introduction should start from the person with most important role by shaking right hand and then he or she continues to introduce the other members of the team. Right after introduction, exchanging business cards with anyone present. Present and accept the card with the right hand. The business card should be examined before it is placed on the table in front or inside the card case.

On Figure 6, it is shown that Indonesians address older people respectfully. Therefore, it is advisable to politely ask them how to address them correctly: whether in *Bahasa Indonesia* or in English way. The meeting usually starts with a lot of small talk before it gets into the point. When the Indonesian company wants to show the factory, they don't directly point on something. They will use a thumb while keeping the fist closed in order to point on things or someone because it is considered an impolite action to point directly. End the meeting with shaking hands and later on, exchanging meeting minutes in order to have clear and in line understanding for both parties should follow the meeting (Figure 26). Any agreement should be signed on paper based in law.



Figure 26 Storyboard 03: Exchanging Meeting Minutes

Support to Company 3's Internationalization to Indonesia



Work Plan

Phases/Actions	Weeks	1	2	3	4	5	6	7	8	9	10
Phase 1. Conduct a study assessment of Indonesian sheet metal fabricating machinery market											
Action 1.1. Obtain a full understanding of Company 3 and its business objectives in Indonesia	D1										
Action 1.2. Assess market indicators and trends											
Action 1.3. Analyze regional market relevance											
Action 1.4. Identify and assess leading competitors within the Indonesian sheet metal fabricating machinery market											
Action 1.5. Develop a market assessment draft document				D2							
Action 1.6. Conduct a debriefing meeting and highlight market factors that will influence the strategic approach					D3						
Action 1.7. Final Market Assessment							D4				
Phase 2. Develop a strategic approach to the Indonesian sheet metal fabricating machinery market that leverages Company 3's strengths and positioning											
Action 2.1. Develop a draft strategic approach to the Indonesian market											
Action 2.2. Finalize the strategic approach to the Indonesian market											D5

22



Figure 27 Work Plan Proposal for Company 3

In the meantime, the service implementation starts by developing proposal to Company 3 who is interested with Indonesian sheet metal cutting machinery market. The first meeting with Company 3 has been conducted and a proposal has been delivered to Company 3. The set of services proposed are adjusted from the first meeting with Company 3. Company 3 has had a potential partner in Indonesia whom it wants to work with so there isn't any need to select a partner. Figure 27 shows the work plan proposal for Company 3.

By the time this thesis project is submitted, SPI-CCIIP is still in negotiation process and now focusing on establishing SPI's relationship with Indonesian entities. The new proposed services define the idea of roles and responsibilities for both SPI and CCIIP that can facilitate them in negotiating the collaboration. It also facilitates SPI-CCIIP in dealing with multicultural aspects for their further relationship with Indonesian entities.

7 Conclusion and Future Works

Designing set of services to accommodate Portuguese companies to internationalize in Indonesia is indeed a challenge. The research project responds to two challenges: (1) how to adapt the service design approach for the internationalization strategy of a company; and (2) how to fill in the gap of service design approach for multicultural stakeholders.

The implementation of case study methodology in this research project was aimed to have more understanding on the motivation and Internationalization process to approach China. These motivations and processes to approach Chinese market were adapted to design set of services in Indonesian market. The business culture in Indonesia, whose Chinese ethnic population places as a minority of its total population, is much affected by the Chinese culture because most of the business people are Chinese ethnic.

Triggered by the two challenges, this research proposes three solutions to fill in the gap in service design approach, i.e.:

1. The Value Constellation Experience framework for Internationalization of a company. It merges the framework of opportunities and outcomes of Int'l strategy on Figure 3 (Hitt, 2006) and the framework of Common Value Transformation for Soft-Service Firms on Figure 2 (Ball et al., 2008). This merging facilitates the service improvement for both main stakeholders: the customers (in this case, company) and service providers who also consider new market as their investment target for their supports and services.
2. The proposed set of service is a modification of SPI's previous service. The proposed one highlights SPI's collaboration with the Portugal – Indonesia Chamber of Commerce and Industry (CCIIP). This collaboration will fasten SPI's approach in assisting Portuguese companies to Indonesia as it highly advisable to have a local intermediary or an organization who has established good relationship and networks within Indonesia when initiating business negotiations (Katz, 2007).
3. Multicultural barriers affect in each action amongst the process, service interface, and physical evidence. The gap found was that on blueprint there is a need of notation to highlight the multicultural service encounter. Such notation is needed so that the service provider will aware and provide handling assistance accustomed to the multicultural barriers.

This research project is an initiation project that marks the first collaboration between SPI and CCIIP. In addition, the negotiation between SPI and CCIIP has been in progress while assisting Company 3 to enter Indonesia. As a result, the research project focused on the pre-market assistance while it has more opportunities to innovate in the in-market and post-market assistance in Indonesia. Furthermore, Indonesian government has been providing support processes to enhance the value co-creation to do business in Indonesia.

The proposed solutions trigger another question whether the proposed value constellation experience for Internationalization strategy of a company and the multicultural notation could be implemented for different market with different culture from the Asian emerging market's

cultures. As a result, hopefully this research project might influence further innovation and research in services design approach for multicultural stakeholders in this era of globalization.

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ANNEX A: Set of Questions for the Interview**Table 6 Interview Questions-SPI's Clients who Have Approach China**

Interview Guide
<p>In the area of service design, it is important to understand the needs and requirements of customers in order to get solutions and further improvements of current services.</p> <p>This interview is intended to gain more understanding about the company, its background of why it was interested to enter Chinese market, and what kind of services and achievements does the company want.</p>
<p>1. Please give a brief description about your company and in which sector does it specialize?</p>
<p>2. The company has entered the emerging countries market (Brazil or China) before. What were the main drivers?</p> <p>How did you approach SPI for the first time?</p> <p>Has [company_name] done any market research about China before contacting SPI assistance?</p> <p>What kind of supports and services did SPI provide to [company_name]?</p> <p>Who were the representatives of [company_name] who interact directly with SPI?</p>
<p>3. Which part of support from SPI do you consider as the most essential?</p>

<p>4. Which type of support did you seek for during the process of internationalization?</p> <p>Who were the actors related with the internationalization of [company_name] to China?</p>
<p>5. What is the regulation and legal process for PT companies to enter Chinese market?</p>
<p>6. What were the crucial barriers when approaching Brazil/China?</p>
<p>7. Why did [company_name] finally made the decision to enter China after analyzing the result of approach strategy analysis from SPI?</p>
<p>8. If SPI would like to improve its services for internationalization. What would you suggest?</p>
<p>9. What types of business opportunities do you think exist in Indonesia?</p>

Table 7 Interview Questions-Companies who Have Approached Indonesia

Interview Guide
<p>In the area of service design, it is important to understand the needs and requirements of customers in order to get solutions and further improvements of current services.</p> <p>This interview is intended to gain more understanding about the company; its background of why it was interested to enter Indonesian market and what kind of services and achievements does the company want.</p>
<p>1. Please give a brief description about your company and in which sector does it specialize?</p>
<p>2. The company has partnered with Indonesian companies (supplier) before. What were the main drivers?</p> <p>2a. How did you aware of the existence of CCIIP?</p>
<p>3. What is the regulation and legal process for Portuguese companies to enter Indonesian market? (Was there any Indonesian regulation and legal process that [company_name] had to follow to import “raw materials” from Indonesia?) --- Because Indonesia has a strict rule regarding its natural resources.</p>
<p>4. What were the crucial barriers when approaching Indonesia?</p>
<p>5. Which type of support did you seek for during the process of internationalization?</p>
<p>6. Which part of support from CCIIP do you consider as the most essential?</p>
<p>7. If CCIIP would like to improve its services for internationalization to Indonesia or with Indonesian partner company. What would you suggest?</p>

8. Do you see any opportunity for [company_name] to export to Indonesia?
(Additional question to Company 1 only)

Table 8 Interview Questions - CCIIP First Interview

Interview Guide
This interview is intended to understand, visualize, and discuss the supports and services provided by CCIIP to assist Portuguese SMEs in entering Indonesian market.
<p>1. How did Portuguese companies refer to CCIIP for the first time?</p>
<p>2. “CCIIP organizes and participates in Seminars and Conferences to provide general information and raise the awareness of Portuguese companies about the current business environment and opportunities in Indonesia. “</p> <ul style="list-style-type: none"> • How many seminars and conferences have been conducted these past years? Can you mention one example? • Was there any challenge in conducting these Seminars and Conferences for Portuguese SMEs? • What did CCIIP want to achieve by organizing these Seminars and Conferences? • How were the feedbacks from the participants for the seminars and conferences?
<p>3. “CCIIP have joined their efforts with the Embassy of Indonesia, BKPM (Indonesian Investment Board), and Bank of Indonesia as well as with several Portuguese universities and Public institutions in the organization of a few events that took place in Portugal during the year of 2012 and 2013.”</p> <ul style="list-style-type: none"> • What were the roles and contributions of the Portuguese universities and public institutions for the organization of the events?
<p>4. Based on my understandings, CCIIP focuses on giving pre-market entry assistances to Portuguese companies to enter Indonesian market, doesn't it? Was there any case where CCIIP also gave in-market assistance to SMEs?</p> <ul style="list-style-type: none"> • What are the participant targets for the trade missions? And what are the goals of conducting trade missions?

<ul style="list-style-type: none"> • Was there any problem or difficulties when providing supports and services to SMEs related with Indonesian market?
<p>5. Could you specify 3 most influential aspects that determine the success of Portuguese companies entering Indonesian market?</p>
<p>6. Could you specify 3 aspects that threat the most of the success of Portuguese companies entering Indonesian market?</p> <p>5a. Are KADIN (Indonesia Chamber of Commerce and Industry) and BKPM (Indonesian Investment Board) supportive to assist CCIIP?</p>
<p>7. What kind of supports and services did CCIIP provide to Company 1?</p> <ul style="list-style-type: none"> • What kind of supports and services did CCIIP provide to Company 2?

Table 9 Interview Questions- CCIIP Second Interview - Demand and Opportunity in Indonesia for Portuguese Companies

1. What are the social and economic factors that attract EU companies (especially PT companies) to Indonesian market?
2. What is the number of export and import trading between ID and PT these past years?
3. Which sector has potential growth within Indonesia? And could you specify the most attractive sector in terms of investment in Indonesia for the Portuguese? And why?
4. What were the common or successful cooperation models between Portuguese and Indonesian companies?
5. The Indonesian Ministry of Economic has just released five new sectors for foreign investment in Indonesia, i.e. airport management, harbor management, terminal for goods, land terminal and dry-docks, and advertisement sectors. How do you see the opportunity for Portuguese investment in those sectors?

Table 10 Interview Questions - CCIIP Second Interview – Entering Indonesian Market

1. How is the regulation and formal process for Portuguese companies to enter Indonesian market?
2. Do you have any tips for Portuguese companies if they want to invest in Indonesia?
3. Could you specify most influential aspects who determine the success of Portuguese companies entering Indonesian market?
4. Could you specify aspects that threat the most of the success of Portuguese companies entering Indonesian market?
5. What do you think the most effective and efficient supports and services to raise the awareness of Portuguese companies to enter Indonesian market and to assist them in entering the market?

ANNEX B: Concept Development

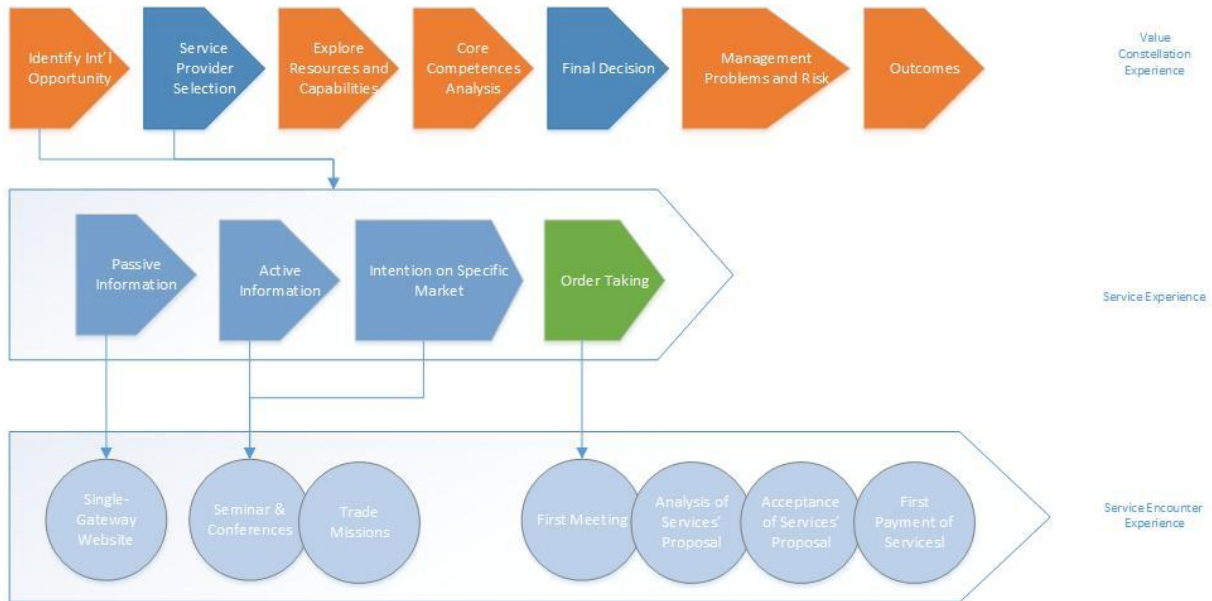


Figure 28 Value Constellation Experience -1

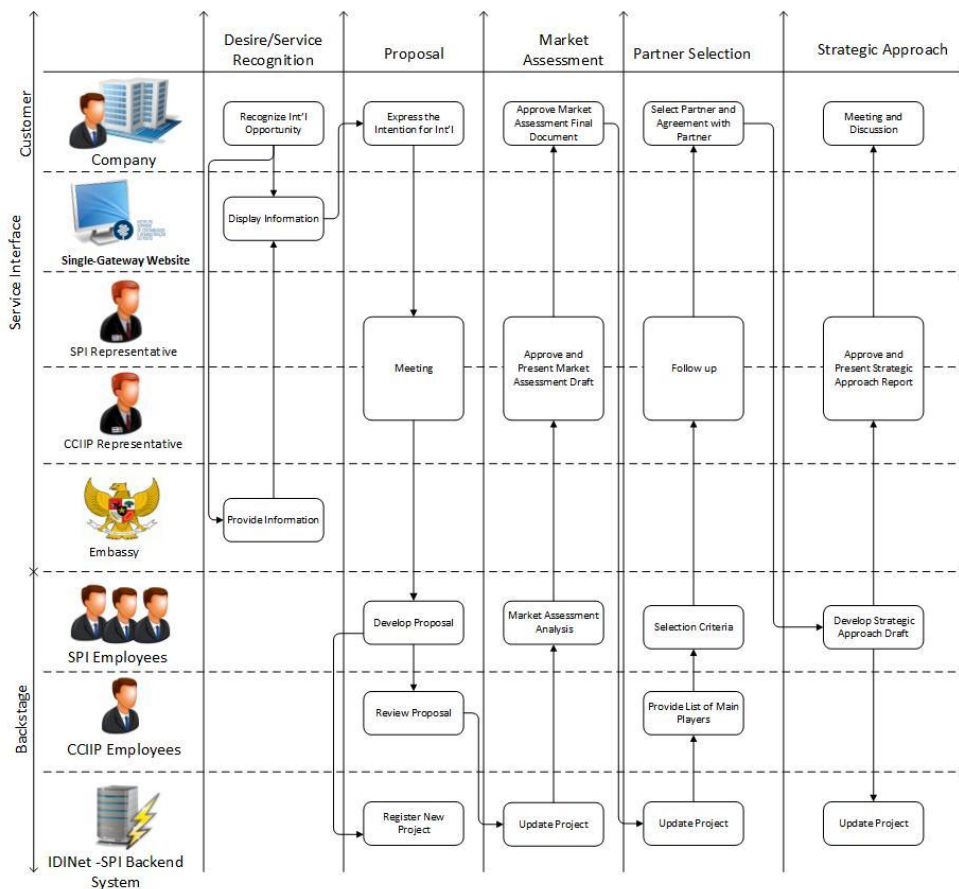


Figure 29 Service System Navigation

Service Experience Blueprint for
Service Proposal

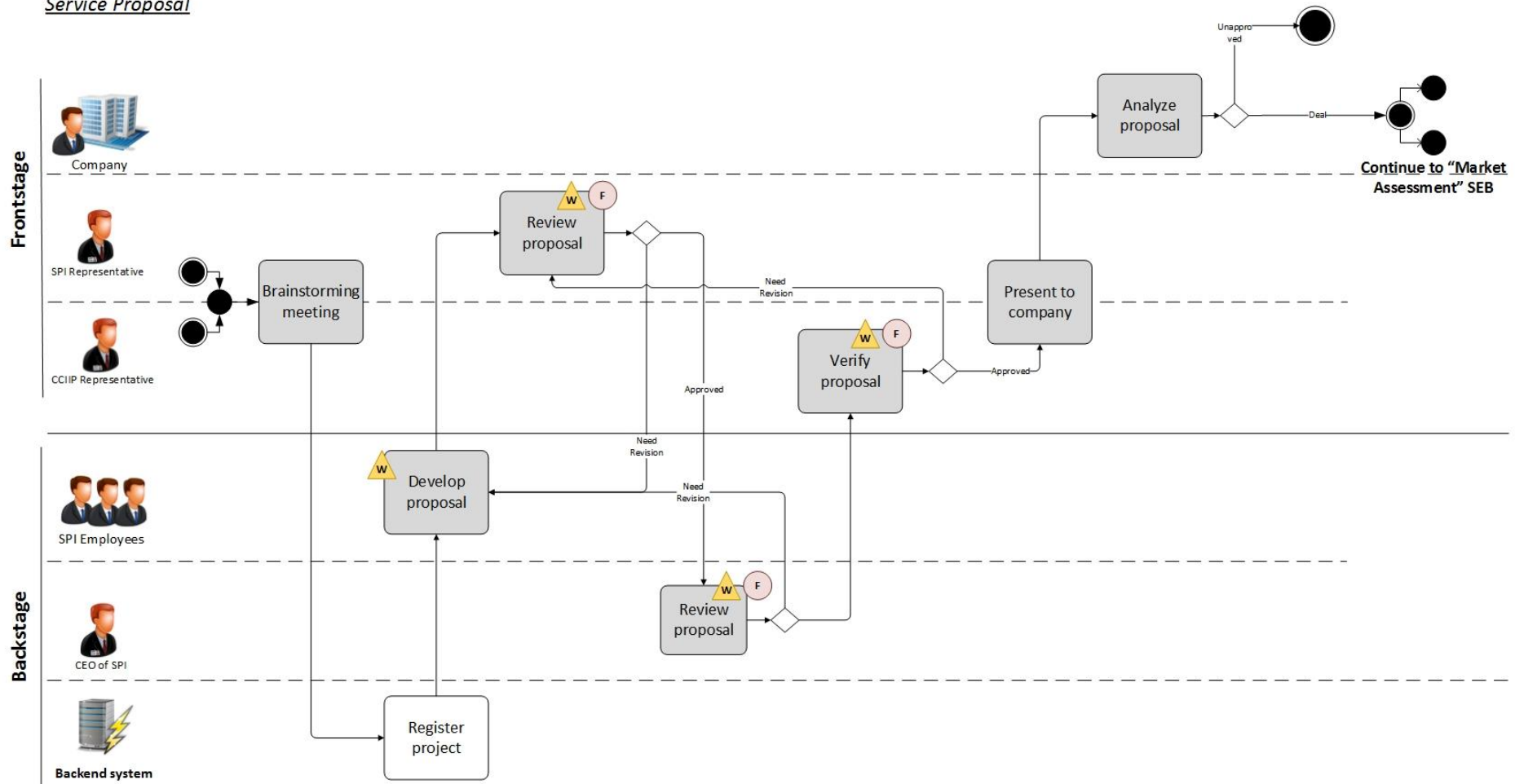


Figure 30 Service Experience Blueprint for Service Proposal

*Service Experience Blueprint for
Market Assessment - Understanding
Company's Business Objectives*

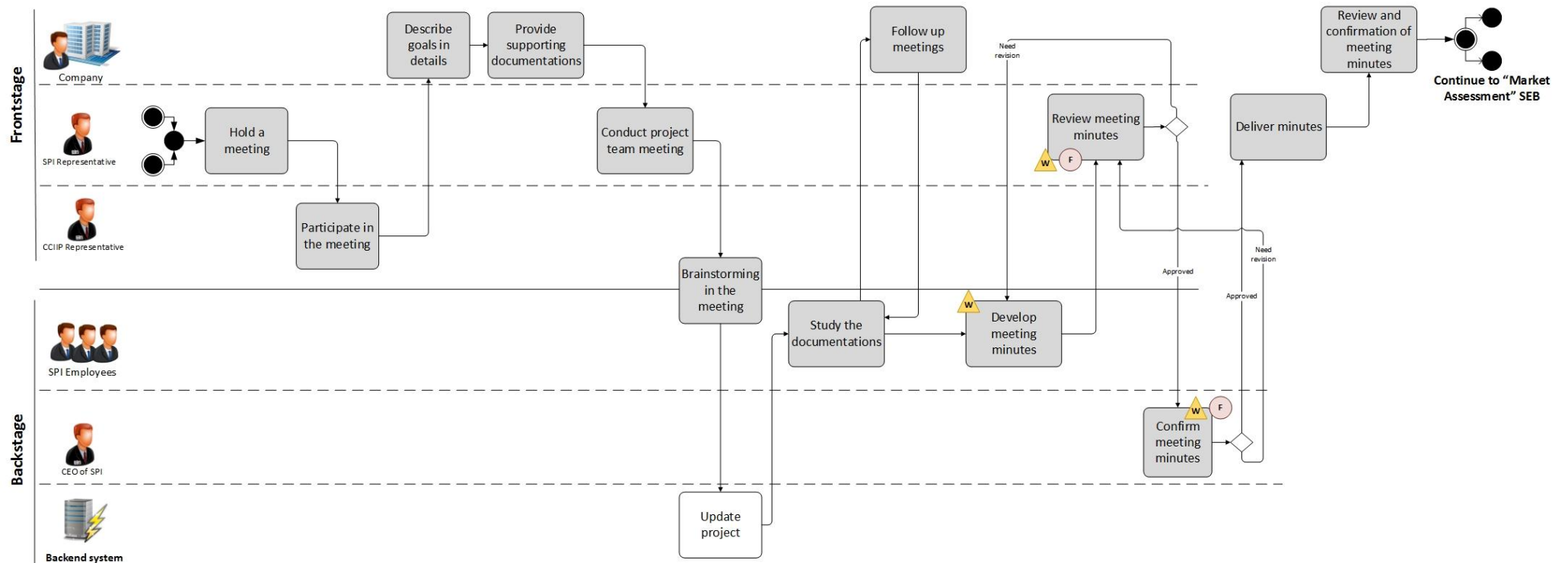


Figure 31 Service Experience Blueprint for Market Assessment - Understanding Company's Business Objectives

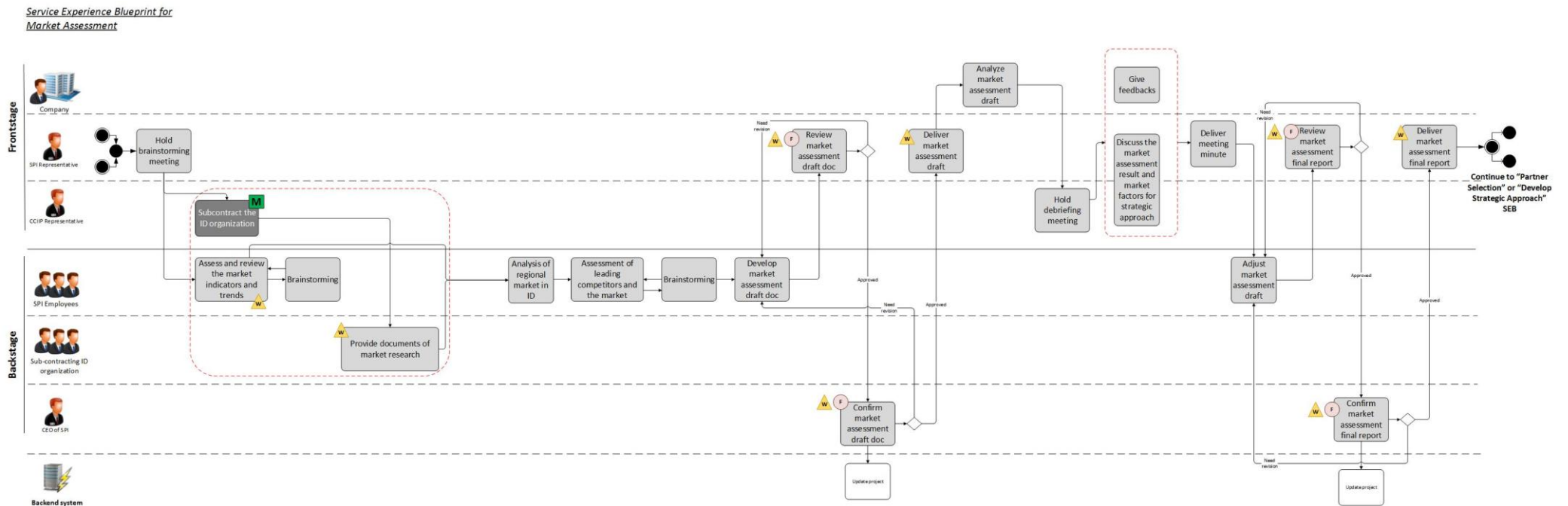


Figure 32 Service Experience Blueprint for Market Assessment

*Service Experience Blueprint for
Develop Strategic Approach*

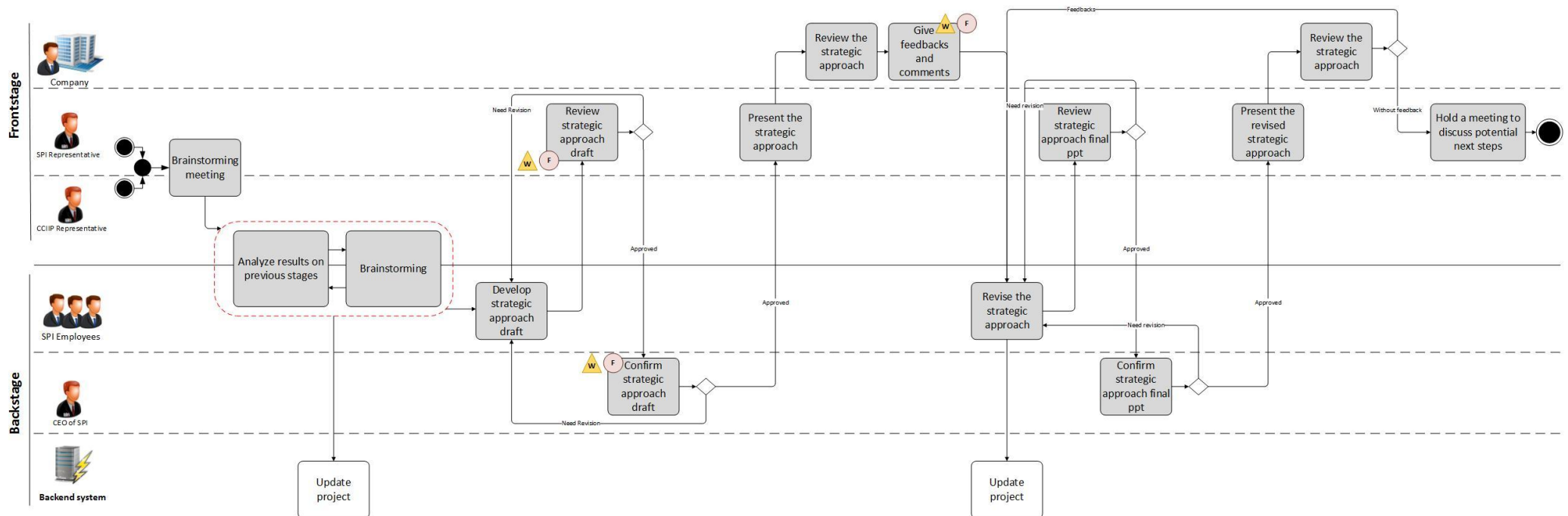


Figure 33 Service Experience Blueprint for Develop Strategic Approach

